

Distribution of Co-operative Societies by Districts,
as on 31st March 1929.—I—

The number of Agricultural Credit Societies in each district is shown by light shading.

CO-OPERATION IN BOMBAY:

Short Studies

Edited by

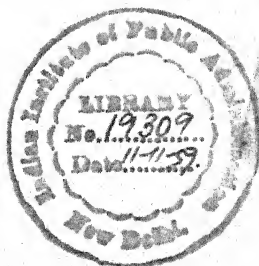
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BOMBAY

FOREWORD

Professor Kaji's Book deserves a hearty welcome from, and attentive study by, all interested in the cause of Co-operation in India. Written by a man of study and of broad views on the subject dealt with and with close knowledge of detail, in conjunction with co-adjutors who have actual facts, reported upon well, at their fingers' ends—his book is bound to present pertinent and vivid interest to all who may have the material welfare of the country, under the influence of this new powerful agent of improvement, at heart.

Co-operation, as we know now, has come as a veritable godsend to India. In his last official Report to the House of Commons, as Under Secretary of State for India, Lord Winterton described the results as "amazing"; Lord Linlithgow, the Chairman of the Royal Commission of Inquiry upon Indian Agriculture, has since then termed it, at a public meeting in London, "the hope of rural India". And how much is there in India that is not "rural", or at any rate directly bound up with rural welfare? And one zealous Registrar, a thoroughly competent man, as I know from a study of his Reports, and a Hindoo to boot, has, in one of his official Reports, frankly eulogised it as "the best gift that India has received."

Its progress in respect of extension and intensification graphically depicted, so far as the Province of Bombay is concerned, in some diagrams in the book here spoken of, has indeed proved remarkable. In no country has Co-operation, and more specifically Co-operation applied to the democratisation of credit, spread with the same celerity and so readily proved popular. Indeed, under some aspects, its extension has proved so rapid that a strong "halt" has had to be called in the interest of soundness, and extensive pruning has had to take place. But all the same the rapidity of its spread and the gladness, with which the gift has been received, prove that at length, after long and laborious research and experimenting in Co-operation, the proper and wanted remedy for India's great need has been found.

Professor Kaji's book deals, of course, as its title proclaims, only with one Province of India. However, that Province, in itself an important part of the country, is at the same time also one in

which the prosecution of the curative and developing work has been among the most intense and rapid, and one also which, in view of the remarkable variety of conditions prevailing in soil, lie and climate—so well reviewed in one of the papers here presented by Mr. D. A. Shah—may almost be taken as a reduced image of the whole country. And, lastly peculiar treatment has in Bombay produced distinctive features of high interest, which well deserve to be brought under the notice of those concerned in the common cause.

On one point, not without some importance, indeed Professor Kaji labours under a slight misconception, namely in supposing that, because the first Co-operative Act, that of 1904, drafted by Sir Charles Bernard, a true friend to the rayat population, and one who should be gratefully remembered as the first official advocate of Co-operation as applied to India, concerned itself exclusively with the subject of credit, Co-operative Credit alone was the object kept in view at the outset by the Imperial legislators. That restriction, however, was in truth merely a "slip", an excusable one on the part of Sir Charles, which my good friend the late Sir James Wilson, at that time private secretary to the Viceroy, tried to remedy in preparing the draft, but did not, as the event showed, succeed in remedying sufficiently. No doubt, it was the oppressive burden of Debt pressing on the poor rayats—Debt which unfortunately appeared irremovable and growing progressively heavier, and for which able statesmen had for decades racked their brains, and unsuccessfully, to find a remedy—which prompted the Government to set its hand to the new legislation, singling out the removal of Debt, in view of its urgency, as its first and most immediate aim. However, the goal which it set before it from the very beginning was a much larger one, such as is now comprehensively pursued, with all forms of beneficent Co-operation kept in view. To state one evidence of this, scarcely had Sir J. Hope Simpson taken up his duties as Registrar in the United Provinces, but he busied himself actively endeavouring to bring help to the struggling silk-weavers of his district in the disposal of their wares. Help for the toilers at their small cottage trades remains to the present day one of the accepted tasks of Indian Co-operation, and one could only wish that its discharge might prove less difficult. For, as Sir Alfred Chatterton has shown, India will still, for a long time to come, be dependent for much of its production on cottage industry, which, unaided, presents such an easy victim to sweating practices. One could wish that in Mr. Kaji's book more had been

said about this. But perhaps the matter is less pressing in Bombay than elsewhere.

Accepting from the outset the wider view of Co-operation, Bombay has not proved remiss in either tentative or else even effective remedial action. It has favoured co-operation in a variety of applications. I remember how under Mr. Ewbank's guidance it took up with energy such things as housing work, for which there was a great call. Also sanitary work has been well carried out. And agriculture has a full tale to tell of co-operative aid received. I am also glad to see Bombay taking up seriously the formation of Labour Societies, that is, Societies which accept contracts for work directly from principals. That may lead to the ripening of a taste for "work" as a means of receiving gain as a help to bettering one's position, in the place of that curse of Indian Labour character, the preference for idleness even in extreme want. If Indian working folk could only be brought to value the "haw bee" as do their brethren in Scotland, or the "cent" like their brethren in the United States, we should not have very long to wait for a fair chance for that much coveted "Consumers' " Co-operation, on which, as the supposed source of riches, the hearts of so many co-operators in India appear to be set and on premature attempts to introduce which, under present circumstances, some fingers have been burnt. Dazzled by the wonders of "Consumers'" success in Great Britain, Indian spectators of such have rashly concluded that it was the method adopted which secured the gain, be the soil fruitful or sterile, whereas of course, it is the money of members combining which produces the surpluses. Consumers' Co-operation is indeed desirable everywhere. In Schulze Delitzsch's words, it forms "the foundation of the co-operative structure." Give us "well paid artisans"—that is the late J. C. Gray's description of the members of our Consumers' societies in Europe with their high standard of living—and we shall see flourishing Consumers' Societies growing up in India just as we have them in Europe. Then also the rayat's dependance upon the Bania as his "man of business"—costly, ruinous dependance that it is—will come to an end and he will become a free man. Our European "Stores" flourish because in them the buyer is at the same time also the seller. He does things for himself; and, having the money, he has the wherewithal to do things. In India we shall have to walk very circumspectly in our attempts to introduce "Consumers' " Co-operation. But with time it will come.

For the present, however, Co-operative Credit still remains the

most needed form of Co-operation practised and practisable in India. And in that capacity it has a large and important part indeed to play. And it is just in that part that in the Province of Bombay it most brilliantly shines, thanks, so Professor Kaji suggestively shows, to peculiar favouring circumstances prevailing. In respect of general culture of Co-operation, Bombay indeed shows good practice enough in the careful study and application of Co-operation, including more particularly the attentive study of Co-operative principle. Its Institute, well officered and well respected, renders decidedly useful service from which the entire practice derives visible benefit. And the periodical public discussions engaged in reveal not only active interest taken but also distinguished aptitude and carefully applied thought.

However, the one feature which strikes one in contemplating what is being done in Bombay in the organisation of Credit and Finance is the well ordered arrangement reaching down from the most useful great Provincial Bank at the top to the small local societies in the matter of credit—systematic concentration of financial power and connection of the same with the distributive active offices and the great feeding supply at the top. For that distinctive feature, so we are shown in Professor Kaji's book, we are to a great extent beholden to the useful help which the late Sir Vithaldas Damodar Thackersey and Sir Lallubhai Samaldas, both described as "commercial magnates, both completely conversant with the ordering of finance in the higher spheres of business" have public-spiritedly given to the movement. Now this is no small matter. For there is not one among the several noted European systems of Co-operative Credit which has not at one time or other had at least one lamentable break-down in the doing of the linking-on service between local lending and dealing with the great open money-market—with which Co-operative Credit unfailingly has sooner or later to come into contact. Perfect as the leaders of those European popular methods of credit may have been in their peculiar local business, they proved at sea on some point or other in the world's great financial market. Under such guidance as has been available in Bombay, similar mistakes have been avoided and are guarded against. And that is a great gain.

Under such guidance, the Provincial Bank, ably led by Sir Lallubhai's son, Mr. Vaikunth L. Mehta, has proved a pillar of strength to the Co-operative Credit market of the Province and has more particularly led to the Province's Co-operative banking, in which, wisely, concentration of finance is made the main point,

to become a useful support to local business generally. In connection with this point, the proposal brought forward by Rao Saheb Vandravan C. Jadav, Managing Director of the Peoples' Bank of Surat, to form co-operative banks systematically in Taluka towns for the management of local business, deserves favourable notice. In an article published in the October number of the year 1905 in the *Economic Review*, I have shown how greatly Germany has profited by the service of similar small banks scattered over the territory of the Empire. India seems distinctly a country likely to benefit in the same way.

There is one more point calling for notice in Mr. Kaji's book. Under the Montagu-Chelmsford reforms, Co-operation has in India become a "transferred" subject, the control of which is left to the provincial legislatures. Much as one may regret in this matter parting with the Imperial Government which has directed Co-operation throughout in an absolutely faultless way, maintaining just principle as laid down from the beginning and restraining misdirected impatience when showing itself, be it in the demand for help in money, or in the plea in favour of more and stringent summary powers of punishment, it seems only in keeping with the principle adopted to make "self-determination", as it has come to be called, the ruling power in Co-operation. Gradually, but progressively, the scope of societies ordering their own affairs wants to be enlarged not rashly but as occasion permits and correspondingly governmental supervision wants to be localised. The practice of co-operation will have to be adapted more and more to varying local circumstances and that can only be done by local self control. Bombay has been the first Province to take advantage of the new power given in preparing its own Co-operative Act of 1925. The benefits expected to result from this Act are set forth in a special paper contributed by Mr. Chunilal Gandhi. No doubt, the future will show what further new departures in the matter of local legislation are desirable. However, we may be glad to see the principle of local self-determination recognised.

Henry W. Wolff.

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INTRODUCTION

I.

THE CO-OPERATIVE MOVEMENT

ITS AIMS AND IDEALS

CO-OPERATION. Co-operation ordinarily means working together for a common end, and in this sense, co-operation has been found absolutely necessary for the progress and civilization of mankind. Ages ago, even early men discovered soon enough that without co-operation among themselves, life was practically impossible and when several people worked thus for a common purpose, a sort of division of labour had to be introduced. In the family group, the man hunted, built houses and generally did the arduous outdoor work, while the woman carried on primitive agriculture on the patch of land near the homestead, and made herself generally useful at home. All people are not gifted alike, and unless in a society, there is co-operation and division of labour, our daily life would be rendered very difficult. The gifted among us must not be allowed to waste their time and energy in simpler pursuits, which even the ordinary people could easily undertake; they should be allowed to specialise in the skilled work of the type they show aptitude for, and it is in this way only that mankind can progress well. In any ordinary affair of daily life, we see that many people have to act together and co-operate. In building a house for instance, the skilled engineer draws out the plans, prepares the estimates, and gets the work done under his supervision; the carpenters attend to the wooden framework; the masons and the bricklayers build the walls; the unskilled labourers do their share of the work in moving timber, handing bricks, mortar, cement and so forth as and when required. Unless so many people with so many diverse aptitudes work together, even the building of an ordinary house becomes impossible. Take another example. The agriculturist in Central India works in his field and gets a fine crop of wheat. The clerk in Bombay wants wheat for his bread. Unless there were wholesale merchants, retail shopkeepers, and unless there were railway service between the centre of production in Central India, and the centre of consumption in Bombay, the agriculturist would not be able to sell his crop and the clerk would not be able to get what he wants. All those similarly engaged

in producing raw cotton, in ginning and pressing, in spinning and weaving, in exporting and importing, and in selling, co-operate towards a common end, to help in clothing mankind. It is unthinkable how the world could get on, if there were no co-operation, direct or indirect, conscious or unconscious, between different types and groups of people. In co-operation, lies strength ; in co-operation lies the key to success. All people have recognised the virtues of co-operation and the moral stories and fables, current among them, illustrate very well the importance of co-operation, of association, of concerted action towards a common purpose. The blind man, the story goes, could not go on in his journey, from one village to another, because he could not see ; the lame man could not similarly proceed, because his legs were unequal to the task ; but, the blind man with the lame man perched on his shoulder could easily accomplish the distance, the legs of the one co-operating with the eyes of the other.

PROTECTION OF THE WEAK : NOT SURVIVAL OF THE FITTEST. Co-operation thus is quite essential in almost all walks of life. In society, there are the blind and the lame, the slow and the quick, the strong and the weak, the skilled and the unskilled, the intelligent and the stupid, the hardworking and the easy going, the bold and the timid, the resourceful and the routine-worker, and if society as a whole is to progress, all these have to work together, act not as competitive units, striving to elbow one another out in order to push their way on in life, but as parts of an organic whole, each member trying to help the other in his own way, to ensure a healthy common progress. It is said that life is a struggle for existence, often a hard struggle, wherein the fittest only survive and the weaker go to the wall. If in the course of this struggle, the strong have to stop in their career in order to help the weak, their progress would be hampered and slow. The development of individual perfection, individual excellence, requires, it is said, not co-operation but competition, which is the best fitted to bring out what is best in each. This doctrine of the survival of the fittest cannot be acceptable to us ; it subordinates the group feeling to the individualistic instinct ; it subordinates the common good to individual good ; and it produces inequalities in society, hardly compatible with even and ordered progress. Society cannot allow its weaklings to perish, just as a parent cannot permit his crippled offspring to perish. Protection of the Weak, and not the Survival of the Fittest should be our motto, if we are

not to have periodic revolutionary upheavals and socialistic outbreaks, setting back the hands of the clock of progress considerably. It is Co-operation that tries to achieve this end—the protection of the weak—not indeed by allowing them to remain weak, but by enabling them to get the necessary strength. Co-operation need not stay the progress of those who are sure of their own ability to push on, it does not seek to detain the strong in their march through life. It is a movement for the weak ; mutual help is its key-note ; desire to serve is its animating spirit.

DISTRIBUTIVE JUSTICE. Ordinarily, people do co-operate, that is, work towards a common end. But it happens that all those who thus work together do not receive equal rewards, nor even returns proportionate to their share of joint work. The mill labourer, who is as indispensable as the manager, or the shareholder for the successful working of a mill, gets but a small wage while the others get far more than could be justified even when the higher efficiency of the manager or the supply of capital for a risky venture by the shareholder, is taken into account. The agriculturist, the broker, the wholesale merchant, the retail shop-keeper, all co-operate in supplying say rice to the householder—consumer. Out of the price paid by the consumer, however, the agriculturist very often receives a smaller fraction than he deserves, inadequate to his share of the common work, which is production—so inadequate in fact that, after making allowance for the cost of production little remains for all the labour and skill he had to expend upon it. The contractor undertakes the construction of a road : a large army of labourers is employed to do the work ; and yet it is the contractor who reaps the harvest of profits, while the labourers get a small wage. Co-operation to be really fruitful of good results should get rid of this injustice in the distribution of the profits. Sweats to one and sweat to another is not co-operation and associated effort that should be regarded with favour. Co-operation is nothing if not justice to all who co-operate ; the great ideal for which the Co-operative Movement stands is distributive justice, ensuring to all those engaged in the execution of the common purpose a share of the profits proportionate to their share of the toil, be it mental or physical, with due regard to the nature of the work done by them, involving mere manual work, mental work, or higher brain work. Indeed the Co-operative Movement is a protest against the existing order of society where, among other ills we find distributive injustice very predominant.

In Production, it is not merely Capital that is necessary. Labour is equally necessary, labour of all kinds. And yet, what do we find? The shareholders of a joint stock company, as suppliers of Capital, receive interest on their shares; this is quite proper, for labour receives its due remuneration in the shape of wages. But when the wages have been paid, the interest on capital has been paid, including in the item interest, a liberal margin for what is usually called 'insurance against risk', and when the cost of production has been met, there does remain a surplus. It is this surplus that gives rise to so many economic difficulties. Who has the most equitable right to it? There are but two main parties, Capital and Labour, who helped in the Production. Should it go to Capital or should it be distributed among Labour, this is the question of questions. In society, constituted as it is today, this surplus goes mostly to Capital, while labour generally is left out in the cold. This injustice produces discontent very naturally among Labour, who where they happen to be well-organised in what are known as Trade Unions, rise up now and then, assume a militant attitude with their employers, down tools and go on strike in order to force an improvement in the conditions of their employment. The Labour Movement has gone further than this, and in its determination not to submit to the tyranny and unfairness of the distribution of the surplus, as current today, demands that it and it only should get this surplus. In protesting against a wrong, it is not content with asking for redress but it seeks to perpetuate injustice the other way. Both Capitalism and Socialism seem to be trying to maintain distributive injustice. It is Co-operation, which holds clearly the correct view of the situation. What equity demands, Co-operation consents to. The surplus profits according to the co-operative organisation of society would be distributed among the parties concerned in the execution of the common work, that is, would be shared by capital and labour both. The Co-operative Movement has often been described as the half-way house to Socialism. But rightly understood it is nothing like it. It is no compromise; it is an assertion of the principle of equity in the distribution of profits and an emphatic denunciation of either group seeking to swallow the whole. It recognises that it is not capital only that is the source of value, not labour only, but both, and as such admits the claims of both.

TRADE UNIONISM: The Co-operative Movement is an economic movement. Though in its ordinary sense, Capital and

Labour co-operate, in the technical sense of the word they do not. Each seeks aggrandisement at the expense of the other, and the Co-operative Movement seeks to bring about an organisation of society, where there shall not be class-antagonism and class-hatred, but where there shall be peace, harmony and good will among all classes. In this economic sense, then, when a group of persons, economically weak, are actuated by a desire to strengthen their position and improve their economic condition, and for that purpose, act together in some economic process, be it production, distribution, exchange or consumption, and divide the profits arising from their joint efforts, in an equitable manner, they can be said to co-operate, and the association so formed, a co-operative society. At first sight, trade unionism might seem but a sort of co-operation; there also, persons economically weak, band themselves together to improve their economic condition. But the similarity ends there. Trade Unionism accepts the existing organisation of society; it seeks merely to improve, as far as may be, the conditions of Labour, while remaining under the banner of capitalism. Co-operation proposes a different alternative economic structure, where there shall be no occasion for any one class to fight for its rights. In the event of the demand of the Union not being accepted by the employers, they go on strike. The methods of these are thus quite different from the methods of the Co-operative Movement. The spirit in one is militant, and destructive; in the other, it is pacific and constructive. One exhales class hatred; the other, harmony and good will. In one, the members set out to fight, in the other they set out to work. In one, there is dependence on others—the employers, in the other, there is self-reliance.

ELIMINATION OF MIDDLEMEN AND PROTEST AGAINST EXPLOITATION. The Co-operative Movement further takes into account all the parties concerned in the completion of an economic process. While under the present system, it is the producer who only counts, and it is the producer who only is held justly entitled to profits, and the consumer as the person, whose wants, tastes and desires have to be consulted, but who in the matter of price is one who could be exploited, the co-operative system, in a spirit of justice and fairness, considers the claims, not only of the producer, but also of the consumer. Co-operation thinks, not only of how to secure maximum profits for all those concerned in production, but also of how to secure the commodities

at the cheapest rates so as to lighten the burden of the consumer. It is after all, co-operation argues, the consumer who is the source of all profits ; if people did not buy things, mere production was not going to get profits at all. The surplus profits should, according to the co-operative theory, be shared equitably not only by capital and labour, but also by the consumer, who contributes no less to the making of those profits. Between the producer and the consumer, however, at present there is quite an army of middlemen. There are the *dalals*, the wholesale merchants, the retail shopkeepers, the carriers by land and by sea, the exporters and the importers. Society should have but two classes of people only, the producer and the consumer. But, it is a great peculiarity of the capitalistic organisation, that these two but form the end-links of a chain, a host of middlemen intervening to keep them very much apart. This results in the unfortunate position that while the consumer pays a heavy price for the articles he needs, the producer of those articles receives very little for all his pains and skill, and the difference goes to the middlemen. The producer languishes, while the middleman progresses, and waxes fat at the expense of the others. With its belief in the doctrine of the Protection of the Weak, with its firm desire for Distributive Justice, Co-operation naturally hates exploitation by one group of another, and the Co-operative Movement is an emphatic protest against exploitation. It does not belittle the great functions performed by the middlemen in society ; it does not seek to exploit these middlemen in any way by so arranging that they should receive but little remuneration for their necessary services. But, it sets its face against the unnecessary multiplicity of middlemen, and seeks to organise the producers on the one hand and the consumers on the other that they might approach one another more closely, by eliminating the middlemen as far as possible. Elimination of the middlemen is one of the great objects of the Co-operative Movement. This elimination, it proposes to bring about by the consumers themselves or the producers performing the necessary services. Elimination by absorption is the idea ; not elimination by reverting to the early days, when the producer and the consumer were in direct touch individually.

MORAL MOVEMENT. The Co-operative Movement is thus an economic movement essentially, but with a moral background, and high ideals. The Movement represents really, a new spirit, the spirit of group-action, the spirit of association, the spirit

of self-reliance, the spirit of harmony, animating the impulse towards economic betterment, upward striving and better living. It is a moral movement, the new spirit helping to make better men, and a better society. It is a creed, a faith, that will not tolerate the tyranny of Capital, nor the tyranny of Labour; it is the faith that elevates, that rubs out angularities, that promotes a feeling of brotherhood, that inculcates the desire for service to one's fellow-beings, and the desire for mutual help, self-reliance and justice, and that demands suppression of class feuds and international wars and breathes international peace and harmony.

The Co-operative Movement claims to place within the reach of the small man the facilities which at present are available only to the big man. This result is achieved by the smaller men combining to work for a common end and for a common purpose. 'Each for all and all for each' is a motto which very well explains the fundamental principle underlying this movement. This motto of the Co-operative Union, Manchester stresses—the underlying moral basis of the Co-operative Movement. In a country like India, which is largely an agricultural country with its agriculturists steeped in debt, it is the great need for co-operation that needs emphasis and the Provincial Co-operative Institute of Bombay has rightly adopted for its motto the legend—"*Vina Sahakara, nahin uddhar*"—(there is no salvation without co-operation).

TOWARDS CO-OPERATION. Broadly speaking, the last century represented the high water mark of the development of the individualistic principle and of unbridled competition. Most of the countries of the world were governed by some form or other of despotism, more or less benevolent, the State was captured by a capitalistic oligarchy and institutions called representative and governments called responsible were only so in a limited sense. A truly democratic state is evolving only now. The nineteenth century was dominated by militarism and aggression; it is the twentieth that brings out the clarion call for disarmaments and Peace Pacts. War is giving place to arbitration. The conquering state seeks to merge itself in a group of co-operating states and the change of spirit is nowhere better illustrated than in England ceasing to think of the British Empire with itself as the dominant land therein and beginning to think of a self-sufficient British Commonwealth of Nations with itself as an equal partner in it. The League of Nations, however imperfectly it might function, is a sign that it is not autocracy, militarism and might that are

the order of the day, but democracy, pacificism and right that will govern the clashing interests of the countries of the world. As in countries, so in the case of individuals ; as in politics, so in economics. It is not the brilliance and individual excellence of a few that a country is judged by, so much as by the general level of the whole population ; the uplift of the many has replaced the perfection of a few as a country's goal ; laissez faire is an exploded doctrine ; State regulation has become the accepted principle ; attempts at prevention of exploitation and antagonism of interests and efforts at adjustment and co-ordination of interests are increasingly common. Civilisation is taking a higher tone in not merely being materialistic but in having a spiritualistic tinge ; successful self-aggrandisement is admired no doubt, but self-sacrifice is worshipped ; the competitive instinct is being subdued and greater faith is being displayed in attempts at co-operation in some form or other, as the harbinger of peace, good will and universal brotherhood. Thus the world is slowly but steadily turning towards co-operation in its general outlook and the economic structure of society will doubtless change and adapt itself in the course of time to the new spirit. The old order is changing rapidly yielding place to new and though perhaps the general economic structure of society might not be absolutely co-operative, the new spirit will without doubt so alter the angle of vision and the heart-beat of society that the world will not have to groan any more under the tyranny either of Capital or of Labour, but will be able to march along to peace, order and progress of mankind.

II.

TYPES OF CO-OPERATIVE SOCIETIES

We have seen thus what the Co-operative Movement is, what ideals it stands for, what principles it seeks to uphold. In an unorganised form the movement seems to have been present in India and in other countries of the world even in early times ; but in an organised form, Co-operation as an economic movement, as the harbinger of economic peace and cessation of industrial conflicts, came in Europe in the latter half of the nineteenth century. Now, year after year, co-operation is spreading fast in every civilised country in the world. In England, Germany, France, Italy, Russia, the United States of America, in Japan and in India, there are numerous co-operative societies, which are increasing in numbers year after year, are gaining strength by increase in membership and working capital, and co-operation is steadily expanding and extending its beneficent influence to more and more economic activities, and an ever widening circle of peoples and occupations.

It is true that as co-operation has a very wide scope, each country does not show development in the same direction. Co-operation meets the common economic needs of the people, and while, in one country, we find co-operative organisations intended to meet one particular common need predominating, in another country we find the co-operative method applied vigorously to meet some other need of the people. Thus, in England, we have a phenomenal development of consumers' societies, the retail stores ; in Germany, we meet with credit societies and banks ; in France we see the successful organisation of the producers ; and in Italy we meet with successful labourers' societies. Denmark shows the success of co-operation as applied to agriculture on the non-credit side, and India has a network of credit societies in her villages for the benefit of the toiling millions of her soil.

We shall now therefore examine what these various types of co-operative societies represent and what their distinctive features are.

THREE MAIN GROUPS IN SOCIETY. As constituted at present, there are three groups broadly speaking. There are those who produce, there are those who consume, what others

have produced, and there are those who act as middlemen, bringing the surplus produce of the producers to the door of the consumers. Taking the first group, the producers are all those who are engaged in the work of producing wealth in some form or other. The agriculturist toiling in his field, the artisan, the small handicraftsman, such as the weaver, the dyer, the printer, the carpenter, the mason and the bricklayer, the shoemaker, the smith, all these are producers, so also are those engaged in the work of production on a large scale in factories, the mill-owners and the factory operatives too in a way. The merchants big and small, wholesale and retail, the importer and the exporter, the carriers by land and sea, by rail and by river, the commission agents and dalals, all these are intermediaries, the middlemen, who perform very necessary services and act as links in the chain between the producer at one end and the consumer at the other. And there is the third group, that of the consumers. The whole population of the country consists of consumers, for even when some of them produce, all of them consume a number of articles which they do not produce. In India, for example, the agricultural producers form 72 per cent. of the population of the country, but the consumers form 100 per cent. of the population. It would appear therefore that the largest group in any country is that of the consumers, and next to it would come the producers and intermediaries, the middlemen.

PRODUCERS' AND CONSUMERS' SOCIETIES. Co-operation is an economic movement, for the economic weaklings of society, intended to give them strength. The middlemen, therefore, who are already strong and important, who by their unnecessary multiplicity, have widened the gulf between the producer and the consumer, who have by their operations, introduced a system which pays least to the producer and exacts most from the consumer, who by their knowledge of markets and financial strength, already hold a strong position—these middlemen need no assistance from the Co-operative Movement. It has been rightly said, "Co-operation, Thy name is Poverty". It is for the poor to gather strength by co-operation; it is for them to attempt to do by associated effort what each one individually cannot possibly achieve; it is for the poor to unite and present a combined front to the tyrannising strong, and force from them fair play in the Distribution of Wealth. There thus remain the two great groups in society, the Producers and the Consumers, to whom the Co-operative Movement can do effective service. The

Producers can combine together and form Producers' Co-operative Societies; the Consumers can unite and have Consumers' Co-operative Societies. In the former case, each industry will demand a different society; each locality will want a different society. Even the caste and in some cases the place of origin of the men will make different societies necessary. Thus there may be the Weavers' Society; not this only, but there may be the Sholapur Weavers' Society; the Surat Silk Weavers' Society, the Surat Benaresi Silk Weavers' Society, the Poona Twasta Kasar Society and so forth. In the case of the Consumers, similarly there will be different societies according to locality, according to occupations, and according to the class of commodities and household requisites supplied by the society. Thus there can be the Bombay Co-operative Stores for the whole City of Bombay; but there can also be and generally would be not only a Girgaum Co-operative Stores, but a Kandewadi Co-operative Stores. There would be further Cloth Stores, Grain Stores, Chemical and Drug Stores, Provisions and Oilman's Stores, Perfumery Stores and so forth. There could then be the Dakshini Brahmins' Stores, the South Indian Stores, the Sydenham College Stores, the Government Telegraph Office Stores, the Currimbhoy Ebrahim Mill Stores, the B. B. & C. I. Railway Employees' Stores and the like. But after all, all these societies group themselves into two main types, the Producers' Society and the Consumers' Society. These two types are quite distinct; their objects are different, their methods of work are different. The one is concerned with Production, the other with Distribution; the one is industrial, the other is distributive; the one aims at producing articles cheaply and at selling them to the best advantage, so that the producers might get the most for their trouble and skill; the other aims at buying things that are needed by members at the cheapest rate and selling them to members also at the cheapest possible rates; the one seeks to increase profits, the other seeks to eliminate profits; the one increases the earnings, the other reduces expenditure; the one seeks to approach the ultimate users of the articles produced, the other seeks to approach the ultimate source of supply, the Producer of the articles wanted. The two types of societies, it will thus have been seen, are quite distinct, and in a sense opposed to each other. For, if we ignore the middlemen, which both types seek to eliminate, what the producer gains through co-operative effort, the consumer loses, and what the consumer tries to gain through his Society is at the expense of the producer. Are then, the interests of the two classes

antagonistic to each other ; and if so, are they reconcilable or otherwise? It has to be admitted that there is a seeming antagonism between these two interests, and it is therefore largely that where Producers' Societies have succeeded, the Consumers' Movement has not gained much ground ; and *vice versa*. It would be out of place here to argue the point any further ; it is enough to say that if co-operation should be the dominant form of economic organisation and a co-operative commonwealth ever realised, the antagonism between the two elements would vanish and the 'Just price', the price fair to the producer and fair alike to the consumer would rule.

SPECIAL TYPES OF PRODUCERS' SOCIETIES: THE LABOURERS' SOCIETIES. Let us now take the two great types of societies, and examine the distinctive features of the various sub-classes into which these two fall. The diversity that we so far considered lay in seeming differences ; they consisted in different localities, different communities, different articles, but not in the object, not in the aim. The diversity that we must consider now is the one in its very object. But before we do that, we cannot ignore the fact that in some cases the object remaining the same, the special type of people who become members, the degree of skill they can bring to bear in the accomplishment of their common purpose, the special type of article the society proposes to deal in, take it away from the common type and endow it with distinctive features. Thus labourers are also producers but they do not bring to the work of production any special skill or training ; manual labour is the only contribution that they give in the performance of the common task. Co-operative Societies composed of labourers can thus be formed and while falling under the general group of Producers' Societies possess special features ; they have for their object the undertaking of contracts for the execution of work requiring but little technical skill but a good deal of manual labour ; they seek to eliminate the middleman contractor who like the middleman shopkeeper is in the co-operative scheme of things regarded as much of a parasite living on the work of the labourers, whom he exploits. Such Societies known in this Presidency as Labourers' Societies usually undertake contracts for erecting buildings or constructing roads. With sympathetic treatment from Municipalities and District Local Boards, from other public bodies and private individuals, Labourers' Societies have indeed a great future before them. Their method of working is

simple ; all that they have to do is to work under their own chosen Mukadam and Maistry and Engineer instead of under those foisted on them by the contractor.

SPECIAL TYPES OF CONSUMERS' SOCIETIES : SERVICE-PERFORMING AND HOUSING SOCIETIES.

Another special type of society emerges when we reflect that we as consumers want not only certain articles but also certain services. Thus for example, we do not merely want cloth, but we also want clothes ; not merely the cloth merchant but the tailor also ; we do not merely want chemicals and drugs but also the doctor ; we similarly want the services of the barber, the *dhobi* and so forth. These services can also be met more economically and better by co-operative organisations and as a part of Consumers' movement, we can have in addition to stores of the usual type, service-performing societies, such as Co-operative Laundries, Co-operative Medical Relief Societies, Co-operative Tailoring Societies, and even Co-operative Hair-cutting Saloons. Such service-societies form a type by themselves ; there are no purchases to be made ; no managers to be appointed, no sales to be effected ; all that is required is to engage the required number of dhobies, doctors, tailors, barbers etc. for the performance of the services required by the members. We have yet another distinctive type of Consumers' Society when it seeks to provide not ordinary articles but a special article—a house—to its members. The house is a very special article, it cannot be purchased at wholesale rates in any market, nor can it be retailed to members ; it has to be erected and the construction of houses involves questions of finance and engineering which take away this type of society from the ordinary type of Consumers' Stores. We have thus so far recognised two principal types. The Producers' and the Consumers' and three special types, the Labourers', Service-performing and Housing Societies.

CREDIT AND NON-CREDIT SOCIETIES FOR AGRICULTURISTS. In a country like India, agriculture is the chief industry ; about three-fourths of the population is engaged directly or indirectly in it ; villages are numerous, towns are few, and cities are even fewer. Life in the villages is quite different from that in towns and cities ; the needs of agriculturists are different from those of non-agriculturists ; the managerial capacity, literacy and outlook on life are quite different in rural and urban areas. Thus

though, in villages as in towns and cities there could be producers' and consumers' societies of various types, these societies are so distinct that they could be regarded as different types. The credit society for agriculturists is of the producers' type, but the credit of each agriculturist is too small; he is economically too backward; he is too much in debt already. Instead of societies of the limited liability type that are common for urban areas, where the liability of each member is limited to the amount due on the shares in the society he has subscribed, for the agriculturists, the societies are of the unlimited liability type, where all the members are jointly and severally liable for the losses of the society, and where collective credit is the basis of obtaining the necessary financial support from outside for the society. In connection with agriculture, there are so many operations that there can be a great variety of societies for the agriculturists. There can be the Consolidation of Holdings Society, the Irrigation Society, the Fencing Society, as also the Seed and Manures Society, the Sale Society whether for one special crop such as Cotton or for all produce raised on the farm.

In India, in view of the great importance of agriculture and the heavy indebtedness of the cultivators, rural credit societies have already sprung up in large numbers in all provinces. Co-operative Societies are therefore often classified into Credit and Non-Credit Societies. In the Bombay Presidency, the Co-operative Societies' Act of 1925 recognises five broad types—Resource, Producers, Consumers, Housing and General. In the first are included all societies for the supply of the requisites of production to members, and as such this class includes credit societies and purchase societies.

CO-OPERATIVE STORES: BUYING CLUBS. Let us now turn to the consumers. We have seen that the type of the society most needed for them is the Co-operative Store. But the necessary requisite for success of a Co-operative Store is the willing loyalty of its members. For unless these make it a point to buy their requirements from the store, it ceases to be a co-operative institution and will become an ordinary retail shop depending for its success on the attractions it offers to the general public. Loyalty, however, such as is demanded by the store is not easily forthcoming; people have got to be trained up to it. For that purpose advantage could be taken of the usual practice of friends and neighbours ordering out some articles jointly. In a city like Bombay, for example, it is not unusual for friends and neighbours to order out tins of ghee, baskets of mangoes, bags of *tur dal*, and

so forth now and then from upcountry. Not only that but it is also usual for people to save trouble by asking friends going out to the market to make purchases on their behalf as well. If therefore, neighbours combine together in an organised body they could save this trouble because one could purchase for many and they could save also money because for large quantities which have thus to be purchased when indents are pooled, a lower price has to be paid. Such an organisation is called a Buying Club. In such a club, no capital is required; there is no risk of loss; some gain is always assured; and a spirit of neighbourliness and brotherhood so essential for the development of loyalty and for the success of a co-operative institution is fostered. The Buying Club is thus a first step towards the formation and successful working of a co-operative store. There are three classes into which society can be divided, the upper, the middle and the lower. Economies associated with co-operative buying do not specially appeal to the upper class; even of the middle class the upper section does not much care for these savings. The co-operative store and the buying club appeal chiefly to the lower middle and the lower classes.

CREDIT SOCIETIES FOR CONSUMERS. These classes however are handicapped by their inability frequently to pay cash for their purchases; their salaries are often hardly enough to make both ends meet; they are out of funds soon after the first week of the month; and they have to borrow now and then for current needs and for unforeseen expenditure. These therefore require a credit society also. But the great difference between the credit organisation for the producers and that for the consumers lies in this that in the first the loans are required for productive purposes. Credit Societies for consumers are however risky undertakings. If a person is not able to make both ends meet from his salary, an increase of pay is wanted, an increase of income from extra work is wanted, but not surely a loan, which indeed he will not be able to repay. Loans for emergencies, one can understand; they could be repaid from savings effected by very carefully curtailing daily expenditure. But even here, a person who has not saved anything substantial in previous years cannot be expected to save anything towards payment of his instalments for loan-repayment. It is not therefore correct to start a credit society for consumers, unless it is based on thrift. A Thrift Society is the type of Society wanted for consumers; members could combine together

and make monthly deposits of small sums, and thus accumulate a fund upon which they could draw in emergencies. On the basis of the character of the person revealed from his savings deposited with the society, the society could safely sanction a loan also, with reasonable chances of repayment. We have thus seen that for the consumers we can have a Buying Club, a Co-operative Store and a Thrift Society.

INDUSTRIAL SOCIETIES: CREDIT, PURCHASE, PRODUCTION AND SALE SOCIETIES. In Production, the first thing to do is to secure sufficient capital wherewith to purchase the necessary tools and implements and the requisite raw material from time to time. The other steps would be to make these purchases as and when necessary, to produce articles and to sell them to the best advantage. Under the present system, each artisan carries on all these operations for himself while in a Co-operative Producers' Society all these are undertaken jointly. The capital is obtained on the credit of the society, that is, of all its members, the purchases are made jointly and therefore cheaply, the production is standardised and not left to individual whims and fancies and the sales are effected through a common shop and good prices are realised. But it is often found difficult in a country where individualism has taken root to combine people in a co-operative group for the performance of all these purposes. One has, therefore, to be content with forming societies of artisans and small producers for one or more of the operations necessary for production. Usually the artisan has skill but no capital and he can easily be persuaded to join a society which seeks to supply him with capital on fair terms. Such a society is known as a Credit Society. It performs much the same functions as the Bank with this difference only that it is usually a much smaller institution, it lends money to its members for productive purposes only, it is content with personal security of the member borrowing, backed up by two other members willing to stand as his sureties and it watches over the use made by the member of the loan advanced to him. The chief distinction between the Producers' Credit Society and a Joint Stock Bank lies in its angle of vision. The society is concerned with assisting its members, the bank is concerned with seeing that the loan is sufficiently secure. Whether the borrower wastes the money on the race-course or in speculation is no concern of the bank so long as he is solvent or has offered sufficient security; but it would be a matter of grave concern to the Society if the

members were to fritter away the loan obtained in unproductive purposes. The Credit Society is thus a distinct type of society for producers. When these are sufficiently trained to work together in such an institution they are more amenable to extend their joint action to the next stage viz. the joint purchase of tools, implements and raw materials. Indeed every well-organised and successful credit society would almost automatically develop into a purchase society in as much as joint purchases mean in effect sanctioning loans to members in kind and not in cash. Instead of sanctioning a loan of Rs. 500 to a member for the purchase of yarn the society could purchase the yarn of the required quality and hand it over to the member on the same personal security as it is content with in sanctioning loans of money. The advantages of joint purchases are obvious ; by pooling the indents of members the society is in a position to obtain its requirements at wholesale and therefore lower rates to the ultimate advantage of the members themselves. Better quality, lower prices and quickness would be secured. And further, if a credit society were to develop into a purchase society, the advantage is of the elimination of the duplication of workers and of utilising the trained staff of one institution for the other. Producers, organised thus for credit and purchase will be much better off than producers not so organised. Generally, it is desirable to have two separate societies one for Credit and one for Purchase as credit transaction must not be mixed up with transaction in which cash is involved. However, even if each one of these producers goes his own way and produces articles according to his individual whim or fancy and as and when he likes he would not derive the full advantages of co-operative effort. Co-operative production is the next step to be undertaken and a co-operative workshop or factory would be the next development. The sale society would complete the organisation of producers. Every one has not got complete knowledge of the market, cannot be in touch with the consumers or even with middlemen merchants ; it is only joint sale which will secure to the producer the full benefits of co-operative production. We have thus seen that Producers' Societies fall into four classes—the Credit Society, the Purchase Society, the Joint Production Society and the Sale Society.

MULTIPLE-PURPOSES SOCIETIES. It often happens however that it is not found convenient to keep these different functions apart and in consequence, societies with more objects than one, multiple-purposes societies, come to be formed. Take

for example a credit society for agriculturists. It sanctions loans to its members for their current agricultural needs. The borrower buys with the money thus obtained manure or seeds or a pair of bullocks. To secure efficiency in purchases and also to secure that the loans sanctioned are not frittered away on unproductive purposes such as funeral ceremonies or wedding celebrations, the credit society might well make the requisite purchases on behalf of the members and probably at a cheaper rate, and thus in a way give loans in kind instead of in cash. Or, the society in order to secure the proper repayment of the loan and also to secure a better price might undertake the sale of the members' produce; or yet, a society formed for the purchase of agricultural requirements might also wish to undertake the sale of the members' produce. In this way, there can be multiple-purposes societies of many types as distinguished from single-purpose societies. In India, the policy hitherto has been not to encourage the formation of multiple-purposes societies, inasmuch as the ignorance and low level of the capacities of the agriculturists would, it is apprehended, come in the way of efficient management of relatively complex affairs. On the other hand, there is a growing volume of opinion, that a multiple-purposes society is the correct type to foster and encourage for a village. The very illiteracy, ignorance and low capacity of the village workers are an argument in favour of there being only one society in a village; for it would be almost impossible to find one set of workers for the credit society, another set of workers for the sale society, a third set for the purchase society and so forth. The complexity of a multiple-purposes society is no argument against it; the simple village people would rather understand a society better if it aims at serving them in all directions; they would not understand rather having to go to one society for one object, to another for a second and so forth. Having been accustomed in India to dealing with the sowcar or the village bania for all purposes, they would feel greater interest in a co-operative organisation which aims at replacing the sowcar in all directions and the greater interest would necessarily result in better and more efficient management. To have several single-purpose societies in a village or a group of villages involves a waste of effort on the part of the few good workers in that area in attending to the separate running of these societies; a multiple-purposes society means concentration of efforts and greater possibilities of success. The cultivator has to be viewed as a whole—as a human being with all his needs. It is no use viewing him separately as a borrower, as a buyer, as a

producer, as a vendor ; it is no use creating water-tight compartments for him.

FEDERATIONS OF SOCIETIES: CENTRAL SOCIETIES. Besides the types of societies so far discussed, it is a natural development if federations of societies come into being. The small rural credit societies might well be federated into units more or less on the basis of the taluka, district or province and according to the purpose of the federation or association, we can have for financial purposes, guaranteeing unions, district central banks and the provincial bank ; for purchase, village stores, district stores and the provincial wholesale stores, and for general purposes, the taluka development associations, taluka supervising unions, and the Provincial Co-operative Institute with its regional branches—district and divisional.

In the Bombay Presidency with an area of 1,86,994 square miles and a population of 1,92,35,219, the number of co-operative societies of different types on the 31st March 1929 was as under :—

I. Producers' Organisations—Agricultural:—

(i) Credit Societies	4,317
(ii) Purchase, Purchase and Sale	54
(iii) Production	16
(iv) Production and Sale	80
(v) Other forms of agricultural societies	23
(vi) Supervising and Guaranteeing Unions	102
(vii) District Central Banks	19
(viii) Provincial Co-operative Bank	1
(ix) *Branches of the Provincial Bank	22
<i>Total</i>	4,634

II. Producers' Organisations—Industrial:—

(i) Weavers' Societies	55
(ii) Others	28
<i>Total</i>	83

III. Consumers' Organisations:—

(i) Credit Societies	465
(ii) Urban Banks	70
(iii) *School Boys' Stores	625
(iv) Stores	37
(v) Housing Societies	56
(vi) Other forms	64
<i>Total</i>	1,317

IV. General Organisations:—

(i) Taluka Development Associations	.	.	.	.	.	.	78
(ii) Insurance Societies (Cattle)	.	.	.	.	.	.	6
(iii) Co-operative Institutes:—							
<i>a.</i> Provincial	.	.	.	.	.	.	1
<i>b.</i> *Divisional	.	.	.	.	.	.	6
<i>c.</i> *District	.	.	.	.	.	.	23
						<i>Total</i>	114
						<i>Grand Total</i>	<u>6,148</u>

Societies marked with an asterisk (*) are not registered organisations.

III.

CO-OPERATIVE BANKING: RURAL AND URBAN

IMPORTANCE OF BANKING. The stature of a nation in the scale of economic progress can be definitely gauged from its developments in Banking. Credit facilities are more and more essential with the increasing complexity of the economic structure of society and it is the duty of the State to encourage by all means in its power, organised banking of different types to suit the circumstances and conditions of the different classes of its people, the producers, middlemen and consumers. Money lending, there always is in every country ; but it is not unorganised money lending by private money-lenders, sowcars or shroffs that will supply in any adequate measure the growing need for the fundamental resource, Credit, like organised banking, where principles take the place of sentiment, where system replaces personalities, where a fair return replaces usury, where safety is ensured and risk minimised not by extravagant rates of interest but by scientific management and where economy and efficiency result from large scale operations. Credit is required by all classes in the community. Producers want it for production ; middlemen need it to avoid unnecessary cash payment for every transaction, and consumers need it too. Normally the consumer is the final destination of commodities and he has naturally to pay cash for what commodities or articles he wants. If he cannot pay cash but usually needs credit, he is in a bad way and on the road to insolvency. But it may be, that he is temporarily out of funds and needs accommodation to tide over a bad period, and to that extent, credit facilities may be desirable for him. A country therefore has or has not enough banking facilities according as it meets the just needs and that too adequately of the producers, middlemen and consumers. Judged from this point of view, banking has not developed in India as it should. There are the Imperial Bank, the Exchange Banks and the Indian Joint Stock Banks, intended to facilitate the financing of the home and foreign trade of the country. They serve the business man well enough ; the middleman has in them the organisations to meet his needs. By the introduction and development of deposit banking, these serve also one of the needs of the consumer too, for the consumer as such can only derive his credit from his savings. But beyond savings, as estimated by the

deposits, securities or properties mortgaged with them, these banks do not recognise any basis, like the ability to save, for the provision of accommodation, and personal credit is usually not accepted.

THE PLACE OF CO-OPERATIVE BANKING IN THE BANKING SYSTEM OF A COUNTRY. At first banks came to be concentrated in large commercial centres ; the smaller urban centres, as also of course the rural areas were more or less neglected. Branches then came though slowly. In a capitalistic bank, large scale operations are the rule ; staff salaries, office rents, supervision and general expenses are fairly high and unless the volume of business is large enough, the opening of branches is not possible. Gradually however, large towns have come to be provided with branches of one or the other of these commercial banks. Government too have opened the Postal Savings Banks. These are really not banks at all, but merely deposit-securing agencies. The system as thus developed is disastrous for the economic equilibrium of the country. The village and the town are drained of the money which goes to the capitalistic and commercial centres to serve the needs of the great middlemen, the merchant princes. The current from the village to the town and from the town to the big city is a ceaseless current, with hardly any counter-current to restore financial equilibrium. This leads but to one-sided development ; congestion at one place, emaciation at the other. Healthy development of all vital organs requires free circulation ; there must be the current from the village to the city and a counter-current from the city to the village. The commercial banks with their branches may well act as rivers draining the surplus from the village and the town to the great ocean of the big commercial city ; but unless there are adequate arrangements for evaporation from this central reservoir and for well-distributed condensation, there is bound to be gradual dessication in the country. A swollen head with emaciated body would be the result. The banks and their branches drain, the postal savings banks drain, but where are the irrigating channels? To serve this end is the great purpose of Co-operative Banks. The large producer needs the vital food, capital, in a very large measure, but his problem, the problem of industrial finance, cannot be solved by the comparatively simple methods and honorary agencies of a co-operative bank, but by banks of special types, the Industrial Banks. The Co-operative Bank may set in motion a counter-current from the city to the country wherefrom the fertilising water may percolate or be conveyed by small

irrigation canals to revitalise the small producer ; but the large producer wants not the small irrigation canals but a gigantic reservoir wherefrom he might draw large quantities for long periods. The small producer however in villages, generally an agriculturist, and the small producer in towns and cities, generally a non-agriculturist, need the same vital food-capital, for the successful performance of their function of production in the national economy ; the consumer too needs resource to tide over a bad period ; and these have nothing to fall back upon to obtain credit except the ability to produce or the ability to save. This ability to produce or to save being incommensurable, is very difficult to assess and the ordinary commercial banks reject it as a worthless factor of credit-worthiness. Further the transactions with small men, being relatively small, large scale business is only possible by dealing with a larger number. This they find expensive and unremunerative ; and they find it naturally more convenient to assess credit on commensurable factors and more economic to concentrate and have large transactions with a small number than have small transactions with a large number. The small producer and the consumer are thus severely left alone by these commercial banks and it is only the co-operative bank which can and does step in to undertake the great mission of financing the small man, the agriculturist, the artisan, the small trader and the thrifty consumer.

CO-OPERATIVE CREDIT SOCIETIES. It is now 25 years since the Co-operative Movement was introduced into India. Today the Movement has been firmly established, has rapidly developed and taken root in the Indian soil. By far, a very large proportion of the Indian population is engaged in agriculture and allied pursuits, and it was natural that the movement, representing an effort to improve the economic condition of the masses by inculcating in them the habits of thrift, self-reliance and mutual help, should have spread in rural areas much faster than in urban tracts. The Indian agriculturist is illiterate, conservative and almost hopelessly indebted. The usurious rates of interest charged from him by the village sowcar preclude the possibility of his ever getting free from the incubus of debt and of his making an effort to improve agricultural methods. It was therefore considered necessary in the first place to provide facilities for cheap credit to the agriculturist for his current agricultural needs. Co-operative Credit societies—small rural banks—were thus formed and in the course of these 25 years they have become so popular that the number of the soci-

eties is well over 70,000 and that these numbers year after year show a continued rapid increase. In this Presidency alone, there are more than 5,000 such societies; there are more than double this number in the Punjab, in Madras, and in Bengal. Even in many of the advanced Indian States like Hyderabad, Mysore and Baroda, the Princes have perceived in co-operative credit the hope for placing agricultural finance on a satisfactory footing and for lightening the agriculturists' burden of debt, and have therefore actively encouraged the growth of the co-operative movement, in their States. These small rural banks have done great good in more ways than one. Obviously they finance the agriculturists' current productive needs, but they do much more than this; they have been instrumental in forcing down the rates of interest charged by sowcars; they have awakened a better perception and realisation of their own economic position by the cultivators; they have proved excellent training grounds in various directions and have made better men of them.

A study of the figures reveals a very rapid development and great progress during these 25 years. But, we cannot accept with gratified amazement this great and rapid progress. The dark clouds of 'overdues', overhang the horizon and greatly menace the situation. The overdues in this Presidency amount on the 31st March 1928 to as much as 33 per cent. of the total working capital, a very high percentage; and however well the high percentage can be explained away, the fact that an explanation is needed is enough to create misgivings. Those familiar with the working of co-operative societies are aware how in some cases practically the whole capital is thus involved and how such societies become moribund. This state of affairs should not be permitted to continue to disfigure the movement. What is wanted is the weeding out of such moribund societies; for efforts at revival would be futile. With the cancellation of such hopeless societies, though the number, membership and working capital figures would at first sight show an apparent set back, the figures of overdues would materially come down and the innate strength of the movement would stand revealed all the more clearly. The greatness of a cause does not get dimmed because of deficiencies in working. With the removal of defects, the greatness will stand more brightly revealed indeed.

THEIR ESSENTIAL PRINCIPLES. It would be as well now if we try to analyse the essential principles on which the suc-

cess of co-operative banking societies depends and examine how far the various types of co-operative banks and credit societies have followed these principles in our country and our Presidency and why overdues have mounted up to unsafe proportions. The credit-worthiness of the small producer, be he an agriculturist, or an artisan, depends on his ability to produce and it is clear that a co-operative bank can achieve success only if the purpose for which loans are asked for is definitely ascertained, scrutinised and recognised as productive by the Managing Committee, and if further the loan is applied to that definite purpose only. To this end, the ascertainment of the purpose for which the loan is sought, the actual manner in which the loan when obtained is applied, the ability to use advantageously, the resource obtained for productive purposes as judged by the character and past record of the borrower, certified by two other members of the society as sureties, the thorough realisation of rights and responsibilities, of privileges and liabilities, on the part of the members and the Managing Committee and strong action in cases of default are very necessary and essential indeed.

THEIR WEAKNESSES. In rural areas, it is extremely doubtful whether members understand the real function and nature of their co-operative credit society. In the early stages, organisation of societies in India unfortunately preceded educative propaganda ; the initiative was taken by the State and the Raiffeisen bank, which ought to be financed by its own members' deposits primarily, assisted by outside deposits and loans, here was helped extensively by the State. Though now direct financing by the State has ceased, it is yet the State through its officers, which not only ceaselessly watches over the progress and conduct of each society, not only audits and inspects, but also guides its working and conduct. The District Central Banks and the Provincial Bank instead of arising as federations of primary societies have been outside creations, finding finance for them. There apparently seems nothing in this to complain of ; but does it not, one may ask, weaken by too much spoon-feeding, the sense of responsibility among the members ? Over-anxiety and too ready assistance cannot evolve the spirit of self-help which is the fundamental basis of success for any co-operative concern. It is no matter for surprise, if we find in consequence, in several cases, the members regarding their societies as semi-charitable institutions, started, fostered and managed by the State and the managing committee regarding

themselves as managing not their own funds, but those of somebody else. Again, the enthusiastic organiser was in the past frequently anxious to organise as many new societies as possible. He therefore gathered together members for a proposed society, not by explaining to them its real nature and purpose but by persuading them into the belief that they would not only get loans readily from it, but also that the rate of interest would be fairly low and that there would be every consideration shown to them in repayment of the loans by arranging convenient instalments and by granting extensions. There was thus no very careful selection of members and the improvident and the unthrifty, the drifters and the weaklings come together, hoping to get loans and expecting to be able to easily get extensions for the payment of instalments. Unlimited liability, the great asset of a Raiffeisen bank, and its great weapon to enforce a close scrutiny on loan applications, watchful supervision and efficient management in general on the part of the managing committee, is no attraction to the sound and substantial elements in the village for joining the society and only brings together those whose unlimited liability is but pitifully limited. Voluntary deposits from the members, theoretically the great bulwark of strength in a society revealing their confidence in the management are not so very conspicuous. As it is, however, loans used to be freely given and repayments not insisted on unless the screw is applied by the Departmental officers. Credit-worthiness of the members was not carefully assessed and all societies have not yet learned to appreciate the necessity of ascertaining the maximum credits of members. The purpose of the loans on the application forms is almost always productive, but the managing committee rarely takes the trouble of ascertaining whether the loan was really applied to that purpose or not. A vigorous educational propaganda and close yet friendly supervision from within, and the development towards that end of the Supervising Unions and the Co-operative Institutes are thus very necessary at the present stage of the movement in the Presidency in order to consolidate the existing fabric and promote its further growth on sound lines.

CO-OPERATION AND BUSINESS PRINCIPLES. Co-operation has been regarded as a reaction from capitalism; but it is not safe, obviously, to develop co-operation along lines which ignore the good points in the capitalistic method. Co-operation is not charity or philanthropy; it is an economic method for carrying on a business, and what makes for efficiency cannot possibly

be ignored in any business, be it co-operatively organised or capitalistically run. It is a gross misconception of co-operation and its principles to imagine for a moment that it is anything but business so far as the management of the organisation is concerned. A rural co-operative society is as much a business concern as any other banking or trading institution can be. Loose management, low-paid, inefficient staff, or honorary staff for directional and even for routine day to day work, small scale of operations, too much spoon-feeding, inordinate desire for concessions and privileges have unfortunately been so closely associated with the working of co-operative societies in India that co-operative management is referred to as an antithesis to efficient business management. Where the contrast, however, between a co-operative and an ordinary business concern, when rightly understood, comes in, it is in respect of the division of profits ; in a co-operative concern the profits are divided according to the principles of distributive justice ; the shareholders or the managing agents do not appropriate these. The great test of the co-operative nature of an enterprise is not with regard to management but lies in the manner of the distribution of the profits. The sooner this is understood, the better it would be for the movement. Unbusinesslike methods are not an attribute by any means of co-operative economics, not inherent in its principles ; they are an accident, due largely to small scale operations and honorary management. Indeed, honorary management in co-operative institutions is at once the greatest asset and the gravest danger to the success of the movement. Where persons without really identifying themselves with the spirit of the work are associated in the daily work of an institution, the grave danger comes in ; where these are inspired with lofty ideals and imbued with the spirit of self-sacrifice and service to the community, they prove to be most invaluable. Co-operators must strive early and earnestly to show that they realise the need for efficient management as well as any business man and must display keen business habits and introduce sound business management in the co-operative institutions they might be connected with, be these small rural societies, big urban banks, or bigger provincial institutions.

URBAN CREDIT. (1) *Salary-Earners' Societies.* The chief types of urban societies in the Presidency are three :—the communal, the salary-earners' and the mill-hands'. The salary-earners' societies have been generally organised on the occupational

basis, the members being employees in the same firm or government office. The strength of a society of this type lies in the absence of communal jealousies and factions, in the higher level of culture and intelligence of the members and the spirit of discipline that prevails in a modern well-conducted office ; the weakness lies in the fact that such a society avowedly exists to meet the needs of the consumer and that therefore the loans are always for unproductive purposes. A great accession of strength accrues to the society from the sympathy of the employer or head of the office through whom recoveries of instalments of loan repayments could be arranged and the danger of overdues practically eliminated. The two great railway societies, the postal and telegraph societies and the Police society represent great developments of the salary-earners' societies in the Presidency. The basis of a society of this type is very good, and the working generally quite sound. Monthly subscriptions inculcate the habit of saving, so essential and useful to a consumer, such as a salary-earner is. Loans are usually recovered through the pay sheets and the possibilities of overdue loans are thus minimised. Substantial reserve funds are quickly built up and handsome dividends are declared on shares. There are great possibilities for such societies and with adequate propaganda, there is no doubt that many more such societies will be started in Bombay and other towns in the Presidency for the employees in Government and private offices.

(II) *Mill-hands' Societies.* The mill-hands' societies are more or less of a similar type, the differences lying chiefly in the illiteracy of the members, in their smaller transactions and in the possibility of the whole organisation being wrecked to pieces when the mill-hands go on strike. Recoveries through their employers and constant supervision by a trained and reliable superintendent paid by the employers for a group of such societies are very necessary for their safety and success. A few enlightened employers in Bombay have actively encouraged the formation of co-operative societies among their employees, as a part of their welfare-work schemes, and among these must be mentioned the great names of the Tatas, the Sassoons and the Currimbhoy Ebrahims. These have built up welfare institutes for their employees, which promote co-operative institutions for them. The industrial labourer often looks with suspicion on many welfare schemes as so many snares to keep him chained and to deprive him of the independence that is a craze with him. Co-operation, however, avoids the suspicion of philanthropy, of paternalism, of veiled despotism, of a sort of a

gilded cage, of enforced loyalty. It creates a spirit of self-reliance, of mutual help, of a spirit of brotherhood, of even class consciousness. To encourage co-operation among workmen is one of the most important directions towards which employers and welfare workers must turn, and to this end, they should strengthen the hands of co-operative propagandist and organising bodies which would look to the organisation and supervision of co-operative societies in the industrial area. The mill-hands require protection from usurers and, therefore, credit societies ; they require protection from profiteering middlemen and, therefore, co-operative stores ; co-operation can yet add further to the amenities of life in the matter of good housing, medical relief, nursing homes, maternity establishments, boarding houses and so forth. Trade Unionism, Welfare Work and Co-operation are very closely related to one another. The trade unionist having secured due wages, hours of work, etc., the welfare worker in the factory having seen to it that the work is done under good and human conditions, it is for the co-operator to step in and see that the men's life outside the factory is spent as happily as could be. The one begins, the other follows up, and the third puts the finishing touch. Adequate wages, cheerful conditions of work, cheerful conditions of life—this would make a happy picture and towards the realisation of this, the good employer must secure the co-operation of the trade-unionist, the welfare-worker and the co-operator. He must learn to welcome the first, to finance the second and to contribute to the third. The class consciousness and the spirit of independence of the one, the humanising touch of the other and the spirit of self-reliance, thrift and mutual help of the third—all these are needed for good to blossom out of a comprehensive welfare policy, which every good employer in these days has to adopt in the interests of himself, no less than of the employees and the nation as a whole, and it is time that the Bombay Mill-owners' Association, the Bombay Provincial Co-operative Institute and the representatives of Bombay Labour put their heads together to evolve a sound scheme of co-operation for factory operatives.

The predominant purpose of an urban bank is to serve the banking needs of the urban population. The great capitalistic banks do not fulfil this purpose fully, for while accepting deposits from him, they do not finance the small man, who has usually no security to offer, for the accommodation he needs. The small trader, the small producer and the small consumer are severely left alone ; and it is the mission of the co-operative urban banks to step in and

fill up this gap in the banking organisation of the country. The small man has no tangible security to offer. Of the three C's of credit, capital is often absent ; character and capacity are the only two factors that count ; the character in the consumer that will enable him to save and the capacity in the producer that will enable him to produce profitably. It is the ability to produce and the ability to save that are the bases for assessing the credit-worthiness of members of a co-operative society. Financing the small man, personal credit, a just and fair return on capital—are the three distinguishing features of a co-operative urban bank. Unfortunately, the corollaries that have been sometimes deduced from these features, the implications that have been assumed from these fundamentals are like a host of codicils to a testament which really make the intentions of the original practically nugatory and invite ruin to the healthy growth of urban co-operative credit.

(III) *Communal Societies and Banks.* A few big capitalistic banks deal in large amounts with a few big individuals or firms. A few big co-operative banks should similarly deal in small amounts with a large number of small firms or individuals. But unfortunately, the adjectives, big and small, have changed places. A large number of small co-operative banks deal in small amounts with a small number of small firms or individuals. Financing the small man has been understood to imply a small scale of business. The small scale brings in its train an inefficient, insufficient, untrained staff and unbusinesslike methods of doing business. Further, a thorough knowledge of the borrower, which is the basis of all personal credit, was sought to be promoted by the communal tie between the members ; but it seems to have been strangely overlooked that the same tie fosters sentiment and backstairs influences, so fatal to successful business. The ability to produce is rarely measured ; the ability to save is completely ignored, when dealing with loan applications. Deposits from members, the great test of the ability to save, are not the basis for sanctioning loans and yet loans are sanctioned for unproductive purposes, on the queer reasoning that if the poor fellow could deposit, he would surely not have come to borrow and that he borrows because he cannot make both ends meet, much less save. Strange way of arguing indeed : If one could not save before, how is he to save and thereby pay instalments after the loan is sanctioned? A man who normally cannot make both ends meet would only further complicate matters by borrowing. The problem

for him is to increase his income somehow and not to try to relieve his permanent difficulties by the temporary expedient of a loan. If he fails in his attempts to increase his income, he becomes a fit case for charity ; co-operation can do nothing for him. As a result of much misplaced sympathy, however, our urban societies dealing largely with loans for unproductive purposes, attract a pack of needy fellows whose credit-worthiness is zero. The thrifty person goes to the capitalistic bank and deposits ; the unthrifty person goes to the co-operative bank and not only tries to borrow but actually succeeds in borrowing. Indeed, deposits from members should be insisted on ; their deposits in other banks should not count, in lending on personal credit, since in all fairness they cannot be allowed to go to the society for a loan and to another bank for deposits. The maximum amount of loan admissible to a member is at present based on the number of shares held by him in the society. This is far from desirable. The number of shares is no test of his ability to pay the loan instalments. It is the average monthly deposit with the society that would be the correct criterion for this purpose ; and it is the absence of a definite correlation between deposits and the amount of loan which really accounts for overdues. The usual period of repayment of loans is 12 months and the safe limit for a loan would be 12 times the applicant's monthly deposits with the society. Of course, under the stress of the emergency which compels the thrifty member to borrow, he would save more and thus be able to pay a larger instalment and the maximum limit could therefore be laid down at 25 times the normal monthly deposit. The only road to success for societies dealing with loan applications for unproductive purposes is thrift and the ability to save, just as the only road to success for societies dealing with loan applications for productive purposes is the careful assessment of the applicant's ability to produce and the equally careful watching how the loan is applied. Facilities for borrowing to the small man are, of course, a primary function of the co-operative banks, but these facilities cannot, in common sense, be so far extended as to include facilities for non-repayment. The borrower has been unable to save and therefore is not likely to be able to repay. There are two sureties certainly. But the system has in practice come to mean ; I become your surety, you become mine. The managing committee are aware of it, know that the system is wrong, but they see no other way out of it, because they start with the fixed notion that the loan *has* to be sanctioned. The scrutiny of loan applications to ascertain the purpose and to deter-

mine the suitability or otherwise of the sureties offered are according to them mere formalities, which have got to be observed. What a pity that some of our communal urban societies, in theory so good, should become in practice, not thrift-teaching and elevating institutions, but refuges for unbelievers in thrift, self-reliance and mutual help. The elimination of profits, the limit to interest on shares and the unmarketable nature of these shares keep away substantial men from the society ; the small scale of business with its implications of an untrained, inadequate, ill-paid staff and of a management liberally tinged with sentiment and soft-heartedness keeps away the depositor. The only section to be attracted by the urban co-operative society is apparently the loan-hunter, who has not one of the three C's of credit. This is surely not as it should be. If Co-operative Banking, as at present, suggests a small institution working on unsound lines, if it suggests a confusion between co-operation and charity, it is up to co-operators to change its character at once and make it, as it should be, Banking on co-operative principles. The essential idea should be banking, organised with the thoroughness and managed with the efficiency usually associated with capitalistic concerns.

Urban banks have been generally reluctant to take up other kinds of banking business besides that of receiving fixed deposits and giving loans, and this is largely due to an untrained staff, a desire to keep down expenses to the lowest level and the avoidance of risks. These reasons have led them to rely generally upon either honorary or very low-paid agency. They have in some cases not even cared to rent suitable offices for themselves ; they have not gone in for either strong rooms or reliable fire-proof safes, which could be used for the safe custody of deposits of the members. Again, with a view to avoid risks of being unable to meet the uncertain demands of customers having current deposits, such deposits are not usually accepted, not knowing what cash reserve would be sufficient to meet such demands. The urban banks cannot safely take up this business unless, for one thing, they employ a specially trained staff. The training which must be provided for those who aspire to a career in a co-operative bank must be such as would enable them to cope with the added responsibilities arising from the expansion of activities. A few large banks doing all kinds of banking business, attracting deposits, lending out its monies to traders, artisans and others, with an adequate and efficient staff, are needed in place of the many small credit societies that in some cases drag out a weary existence and in others keep their co-opera-

tive directors in continual worry. The organisation and development of Luzatti Banks in the Presidency and the City are now urgently necessary for the small artisan and trader, and earnest efforts must be made by co-operators, officials and non-officials alike, to try to persuade some of the successful communal banks such as the Shamrao Vithal, the Chandra Senya Kayastha Prabhu, the Namdeo and the Bhavsar Kshatriya Societies to widen their outlook from the narrow and restricted grooves of the community and convert themselves into genuine Peoples' Banks.

The future of Co-operative Banking in urban areas lies in the growth of Peoples' Banks at the headquarters of each District with Taluka Branches and a Provincial Co-operative Urban Bank at Bombay, in the interests of the small trader and the small artisan, in the multiplication of thrift—cum—credit Societies and Co-operative Investment Trusts in the interests of the salariat and in the development of co-operative schemes under the joint auspices of Capital and Labour and the expert supervision of the Bombay Provincial Co-operative Institute, in the interests of factory operatives.

IV.

THE STATE AND THE CO-OPERATIVE MOVEMENT

A PEOPLES' MOVEMENT. The Co-operative Movement is essentially a Peoples' movement, a truly democratic movement, aiming at the economic regeneration of the masses not by any assistance from without but by developing strength from within. As has been already explained above, it is the spirit of self-reliance and mutual help that characterises this movement as distinguished from all other movements which look to the State for help and encouragement or which are based upon the philanthropy of the rich. It must not be understood that Co-operation sets its face against State Aid or benefactions from the philanthropist; only, it does not count upon these and rests upon the inflexible determination of its votaries to work out their own economic salvation by peaceful and constructive collective action. It is thus a movement of the People, for the People and worked by the People. It must have its origin in the grim determination of the people to bring about improvement in their own economic condition; it must be pushed forward by the self-sacrifice and devotion of their own leaders and guides and assisted by their willing and whole-hearted

co-operation ; and the institutions started under its ægis must be worked and managed by themselves. In England, the Co-operative Movement, apart from its early beginnings towards the close of the eighteenth century and the early decades of the nineteenth under the influence of that meteoric figure, Robert Owen, had its real beginning in the earnestness and devotion of the 28 Rochdale weavers, who started the Toad Lane shop and ran it so successfully, that from an humble institution, it rose to be a gigantic concern and their principles—the Rochdale Plan—became a model for others to follow. Neither the State nor the philanthropist had anything to do with the Consumers' Movement so launched. Where rather benevolence tried to direct the movement, it did not flourish. The Christian Socialists spent a good deal of effort and money in establishing the Producers' movement ; but the result has not been commensurate. In Germany, it was Raiffeisen and Schulze Delitzch who introduced co-operative banking and it was under their guidance and direction that the masses worked the movement to a great success, so that the miserable, indebted German peasantry was converted in a few years into smiling, prosperous and contented agriculturists.

STATE INITIATIVE IN INDIA. In India, however, the conditions differ. Industrialism had not flourished so much as to create a proletariat ; the State was not following quite the policy of *laissez faire* but was already alive to the needs of the industrial workers and was regulating the hours and conditions of work in factories ; trade unionism, which has a strong appeal for Labour, had not yet been tried and found wanting, as early trade unionism was found by the industrial workers in England in the forties of the last century ; the consumer was not hit so hard as to drive him to start his own shop ; and conditions were thus not ripe for distributive co-operation as in England. On the other hand, India was an agricultural country and agriculturists were doubtless in a bad way. They were involved in heavy debts and were hardly able to eke out even just a miserable subsistence and were entirely at the mercy of the sowcar. Of all classes of society in India, the problem of the agriculturists demanded a solution. Government recognising this, came forward to their assistance and started the system of giving Takavi loans for specific approved purposes on easy terms ; but this did not prove adequate. The illiteracy and ignorance of the Indian cultivators made it impossible for them to evolve a system of their own for their salvation ; a Raiffeisen could have done

nothing for them under the circumstances. Education should have preceded and prepared the ground for the spirit of self-reliance and mutual help to take root. But conditions were so bad that one could not wait for education to precede and co-operation to follow. It was, therefore, but natural to find that in India, it was the State that took the initiative, made the necessary inquiries and investigations and introduced the Co-operative Credit Movement on the Raiffeisen model.

The Co-operative Credit Societies Act was passed in 1904 by the Government of India and the various provincial governments created co-operative departments and appointed Registrars in charge of these departments. Facilities, concessions and privileges were given by the Government to these societies, and the movement started under the auspices of the State. To enable the societies to begin work, funds were necessary and deposits from members and non-members could not naturally be expected till they had proved their usefulness. Government therefore, advanced monies to them and gave them a start. The Registrar and his staff carried on propaganda and organised societies. State initiation, State organisation, State advances of capital, all these however contributed to produce rather unfortunate results. The very active interest and keenness of Government officials, and the readiness of government even to advance monies would ordinarily have evoked suitable eagerness and response from the masses ; but somehow conditions in India created round the anxiety of Government to push this movement forward a certain amount of suspicion ; and suspicion whether justifiable or otherwise is fatal to progress especially where the ignorant and illiterate masses are concerned. Besides, when the villager saw that the Government was anxious to form and run such societies, and advance monies for the purpose even, he viewed the society not as an institution for self-help and thrift, not as the one thing which would lead him out from the clutches of the sowcar, but as a favoured child of government, as a semi-government institution, tinged liberally with sentiments of pity and sympathy for the down-trodden and heavily indebted peasantry. The *sarkar* was *ma-bap*, and the *ma-bap* was running these societies on semi-philanthropic lines as *ma-baps* should. A further evil that followed in the wake of government officials undertaking the organisation of societies was a certain amount of looseness in the selection of members for these bodies. When one remembers how the basic principle of Raiffeisen's system is the character of the members, how it is this character which is capital-

ised as it were, it is obvious that the success of an organisation of this nature is bound up with the careful selection of members. The unthrifty, the improvident, the careless, the unsteady, the incompetent have no place in the co-operative movement ; it is the unfortunate, the poor, the needy, the man with character to redeem his misery, who is the backbone of a credit society. Besides, the movement is based not merely on self-reliance but on mutual help ; the village, as a whole must, come forward—the rich and the poor, the man with a deficit and the man with a surplus, the depositor and the borrower ; then, each would be able to help all and all to help each. This doctrine of mutual help would fall on deaf ears, unless the people were educated and had a broader vision of life or were persuaded by their natural leaders to join and help the cause. With official propaganda, and with the official's eagerness to organise a large number of societies quickly and thus leave his record on the sands of time or may be to earn a rapid promotion, it was but a natural result that the strong elements in the village were left out and the needy, both provident and improvident, were marshalled under the banner of co-operation. Co-operation, be it understood, can cure acute economic diseases ; chronic cases must only be undertaken by co-operation, when they are first placed under the influence of Education ; and yet in the hurry of organisation, under the lack of response from the natural leaders of the people, under the atmosphere of suspicion that hung a little round the movement, the chronic patient was the more easily impressed. It must not be understood, however, that the initiative of the State brought about the existence of the wrong type of society or that the institutions thus started were unproductive of good to the class for whose benefit the movement was taken in hand. On the contrary, the societies grew rapidly enough in strength and efficiency and attracted a great deal of public attention, with the result that public workers came forward to help in the further propagation of the movement in the villages and not content with that they turned their attention to urban areas and the credit movement spread among the townsmen quickly enough. The only point we might observe in this connection is that the close association of the State in the early stages of the movement, though with the best of intentions, produced one undesirable result in this that the rural population has not yet realised fully that the credit societies are their own institutions, are their training grounds in self-reliance and mutual help, in meeting their common economic needs and that the shadow of government paternalism still clings, inducing the belief that the

societies are rather semi-philanthropic bodies forwarded by the sarkar *ma-bap* and not pure business institutions.

PROGRESSIVE DE-OFFICIALISATION. Government, however, well aware of the popular nature of the movement did not delay in enlisting honorary workers for the cause in sufficiently large numbers. The honorary workers, known generally as Honorary Organisers, undertook the task of carrying on propaganda, co-operative education and supervision, under the guidance of the Registrar, who remained the friend, philosopher and guide of the Movement. De-officialisation began early in some provinces but the process is not complete even now though it is 25 years since the movement was started. The paternalism remains even to-day but there is progressive de-officialisation and it is nowhere better seen than in Bombay where the non-official workers have been organised in a body, with ramifications throughout the Presidency, —the Bombay Provincial Co-operative Institute. Similar bodies have come into existence in other provinces of India as well and it is the mission of these bodies to bring back to the movement the popular touch by taking upon themselves in an ever-increasing measure some of the non-statutory functions performed at present by the Registrar and his staff. Before this happened, however, Government had realised that co-operation had other fields besides that of credit and that it was necessary to facilitate the formation of all societies on a co-operative basis, whether they were meant for the rural areas or the urban, whether they were for the purpose of giving credit facilities or for meeting the common non-credit needs of people. The Act of 1904 was therefore altered and amplified by the All-India Act of 1912. Soon however, it was discovered that government advances to societies to start their business could not be continued indefinitely and that the movement must learn to stand upon its own legs. An effort to remove the financial officialdom was wanted. The primary society had not yet been able for various reasons to be self-reliant in the matter of finance and its business could not go on with the deposits and loans of its members and non-members. The time had come for a review of the position and for the clarification of issues and the MacLagan Committee was appointed by Government, on which Bombay was represented by Sir Lallubhai Samaldas, a pioneer of co-operation, and Mr. R. B. Ewbank, the then Registrar of Co-operative Societies. The Committee produced a very valuable report which still remains the most important authoritative examination of the move-

ment in India. Its recommendations brought into existence the District Central Banks and the apex Bank at the provincial headquarters. The financial structure of the Co-operative Movement was thus built up ; the financial swaraj was thus achieved. The Provincial Bank with a fairly large share capital commanded deposits from the metropolitan city and assisted the District Central Banks ; these with their own share capitals from large towns, the District headquarters, obtained deposits locally and assisted the primary societies. The District Banks became the financiers of these societies and the regulators of their surplus balances ; the provincial bank became the financier of the District Banks and the regulator of their surplus balances. The financial separation thus brought about did not de-officialise the movement in other respects. Government still continues to guide, control and run the movement. This is obviously a vestige of the early days and with the progress of time the control is bound to pass into the hands of the people themselves working through their chosen representatives in the Provincial Federation or the Institute. While every one would desire to have the government favourable to the movement, giving it the necessary concessions and privileges, while every one would like the Registrar to carry on strict administration and perform his statutory functions, there is a growing feeling that the time is fast coming, it has almost come, when the non-statutory functions that he performs should be handed over to the provincial and district federations. The popular movement should be handed back to the people. State initiative was justifiable under the peculiar circumstances of India ; State favour and encouragement are natural and most desirable ; but the continuance of State control at every turn is detrimental to the highest interests of the movement, which cannot possibly evoke the necessary spirit from the people and which will fail of its most important, the moral, purpose. While retaining all that is necessary for the safeguarding of funds and for prevention of frauds, the supervision of the movement should forthwith be separated and made the duty of the representatives of the societies themselves organised in federations or institutions.

AUDIT. Among the most important of privileges conferred on Co-operative Societies is the one relating to free audit. The Registrar has been asked to audit or get audited by his staff the accounts of all registered societies, but under the Rules framed under the Act, societies with a working capital exceeding Rs. 50,000

are required to pay to the Registrar audit fees according to a scale laid down by him in that behalf, while societies with a working capital not exceeding Rs. 50,000 enjoy the privileges of free audit, unless the Registrar chooses to levy an audit rate, which shall not however exceed $\frac{1}{2}$ per cent. of the working capital. To societies, particularly to the small ones, which just manage to get along, this exemption from audit fees which they have been enjoying in this Presidency for a long time is a very valuable privilege, and co-operators very keenly resent any proposal to take away this privilege. Recently the matter of the levy of audit fees was under consideration and it is believed it will be possible to continue the existing practice and not levy an audit rate. Instead however, it has been proposed that a supervision fee of $\frac{1}{2}$ per cent. of the working capital might well be levied, in order to provide funds for the appointment of the requisite staff to carry on regular supervision over the working of the various societies.

EDUCATION. Supervision of societies is now indeed a problem of the greatest importance. The number of societies, their membership and their working capital have so grown during the last twenty-five years that it is not as necessary now to so much push forward the organisation of more societies. The movement has gathered momentum enough to secure its own further development. What is essential however now is to provide an efficient machinery for Supervision. Speaking generally, the Credit Societies in rural areas particularly, small as they are, are not run as efficiently and in as businesslike a manner as one would desire or even as is necessary. The natural consequence of illiteracy of the members, the facilities through the Central Financing Agencies for obtaining the necessary finance, the failure of increase in the staff of the Co-operative Department to keep pace with the rapid multiplication of societies, a sense of irresponsibility due to the peculiar mentality of the agriculturist, has led to mismanagement and growth of overdue loans in several cases, so that the total figures of such loans have mounted up to more than 30 per cent.—a high figure which is bound to cause some misgivings. Education is the only safe remedy for inculcating that high sense of duty, the only safe pivot on which to base the hopes of the genuine success of these organisations. The whole doctrine of co-operation is so based upon high ideals of citizenship and brotherhood, that it is ordinarily futile to expect the best results unless the co-operative fabric is

based on the sure foundation of education. For this purpose education need not be construed in its narrower or technical aspect only ; it is not merely the literacy of the rural population, not the training of secretaries and other office-bearers of societies in co-operative principles and practice by training classes or even co-operative schools that is going to lead to the desired results. It is education in a broad sense that is so essential. Adult education, vigorously pushed on and wisely directed has high potentialities for great good and it is high time indeed for the State and the people to embark on this most important programme, this most fundamental basis of rural reconstruction, of rural betterment and of agricultural progress. The State in India having perfected the administrative machinery, so far as co-operative societies are concerned, by the passing of the necessary legislation and by the creation of well-staffed departments of co-operation, the State having supplied the much needed non-official financial structure by encouraging the formation of the Provincial and the District Central Banks, it remained for the State to promote the formation of a non-official organisation to take up the duties of propaganda and education. All Indian provinces have now their Provincial Unions, Federations or Institutes as we call them in this Presidency, and the main functions of the Institute have thus been to carry on propaganda throughout the Presidency for the furtherance of the Co-operative Movement and to educate the people. How far the Bombay Provincial Co-operative Institute performs its functions with success and what handicaps it has in the way of its further development will be discussed later in its own appropriate place. It must be observed here however that the Institute in Bombay has understood by propaganda so far, generally speaking, helping to multiply more credit societies and singing the virtues of Co-operation in the abstract. It has not been sufficiently recognised or realised that the best propaganda is the example of a few successful societies. Success begets success and one successful society is a far more potent inspiration than any number of speeches could be for starting more societies of that type. By Education, the Institute has so far understood, co-operative education, training up secretaries and members of managing committees of societies and others in accountancy, in co-operative law, practice and principles. Adult education has not been touched at all. It is, of course, far from correct to imply that the Institute does not realise the great value of adult education ; it is the financial difficulty that prevents it from developing along those lines. Inadequate financial resources prevent the

full development of this body on which rest the hope of the continued efficiency of the co-operative organisations in this Presidency. For, it is not merely propaganda and education that have got to be seriously undertaken by this body ; it has also to undertake the more urgent work of supervision of societies.

SUPERVISION. The need for effective supervision has been acknowledged. The question is which is the best machinery for the purpose. There is the Registrar and his staff of Assistant Registrars and Auditors. These officers can and do inspect the accounts and also generally guide the societies ; but that is but once a year. The financing agencies employ a staff of inspectors, who go round the societies financed by them and see that their borrowings from these agencies are safe. Theirs is naturally the inspection of a creditor, and not the friendly and constant supervision that is essential. The Institute has branches in the districts and through them it does visit societies now and then ; but the honorary agency of the Institute is not capable of sustained and regular work ; it is fitful and spasmodic. Without adequate finances, the Institute has not been able to employ the staff necessary for the purpose. During the last few years, therefore, supervising unions have been brought into existence. About 20 societies are grouped together under a supervising union, on the board of management of which, the affiliated societies are represented. The Union appoints a paid officer—the Supervisor, and it is he who is expected to perform this important function of guiding the societies throughout the year. Several Supervising Unions have been formed in this Presidency, but the hopes so far entertained of them have not been realised. The supervisor himself needs supervision and the whole system of supervision has to be so arranged that the Union system, correct in theory as representing a supervising agency from within, may really work successfully in practice. It appears that the only body which can and should shoulder this very important duty is the Provincial Co-operative Institute. This Institute is a body on which are represented the Co-operative Department, the Provincial, the District and the Peoples' Banks, as also the primary societies themselves and is in a sense the only institution representative of all shades of opinion and all sorts of interests. The supervision fund, therefore, which is now sought to be created by the levy of the supervision charge of $\frac{1}{2}$ per cent. ought to be entrusted to this body, which would doubtless through its branches in the Districts be able then to carry on this work properly. Instead, the present

idea seems to be to create District Supervision boards, whereon will be representatives of the Supervising Unions in the District, of the Institute, of the financing agency and of the Department. Each District is thus separated out and there is no link between the different districts. There will be no central body to see that the work in the Districts proceeds properly. Of course, the Registrar will act as the central authority ; but one doubts whether the official agency for supervision, or at any rate the official control of supervision is desirable. With progressive de-officialisation, which is the proud boast of the Movement in Bombay, it appears that the present scheme is not quite the correct step. The only solution is to entrust the supervision of societies to the Institute, which with the funds placed at its disposal by the levy of the $\frac{1}{2}$ per cent. rate will enable it to adequately perform the task. Propaganda, Education and Supervision are so interrelated that it is the same body which ought to be placed in charge of all the three. On the adequate arrangements for supervision will depend very largely the continuance or otherwise of the success of co-operative societies in this Presidency and co-operators, official and non-official, should seriously devote themselves to the task of finding out the very best machinery for supervision. The Registrar has been so far the friend, philosopher and guide of the movement. On his shoulders rests a very heavy burden. The statute makes him responsible for several functions ; but the needs of the situation have also imposed on him many other non-statutory duties. So long as the number of societies was small, he could manage to perform his many-sided duties with efficiency. But the movement is developing fast and it is beyond the powers of one man to continue to perform all those functions. It is not a question of merely an adequate staff under the Registrar. The responsibility is his ; the control, the policy, are his ; the strings are in his hands ; and it is time that he should divest himself of some of his non-statutory functions. At any rate, it is obvious that he should not add to the burdens of his office any further. He is responsible for audit ; for annual inspection, and for periodical guidance. Let him not add regular supervision of societies to his duties. It is in strengthening and supporting the Bombay Provincial Co-operative Institute and entrusting the supervision of societies to it that the solution lies.

CHAPTER I.

RURAL CO-OPERATIVE CREDIT

BY

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Introductory. The Beginnings of Co-operative Credit. Purposes and Periods of Loans. Financial Arrangements of a Society. Owned Capital of Societies. Inculcation of Banking Habits in Villages. Reserve Funds. Non-Members' Deposits. Finance for the Current Needs of Agriculture. Progress of Co-operative Credit. Tracts Liable to Famine. Canal Areas. Tracts Practically Immune from Famine. Sind. Backward Tracts. Co-operation in the Bhil Tracts. Overdues. Redemption of Old Debts. Land Improvement. Land Mortgage Societies. Concluding Remarks.

CHAPTER I.

RURAL CO-OPERATIVE CREDIT

INTRODUCTORY. India is a land of villages, and in spite of its having within its borders the Second City in the Empire, the Bombay Presidency is no exception. The bulk of its population lives in villages; the city and the town exist because of the village; and the industry of the village is agriculture. Agriculture is, therefore, the mainstay not only of the rural population but of the whole of the Presidency, the cotton textile industry notwithstanding. If rural population means, for all practical purposes, persons living on agriculture, rural credit means likewise for all practical purposes, credit required by those who live on agriculture. The overwhelming importance of Banking to Trade and Industry has been recognized by the substitution of "Trade follows Banking" for the old saying "Trade follows the flag". Banking is essential for trade and transport and manufacturing industries, and it is equally essential for agriculture.

Like other industries, agriculture has to face wide competition not infrequently, world competition. So long as, for want of quick, cheap and safe transport, agriculture was mostly a local affair, consumers shared with the producers, the cost of production—high or low—and everything adjusted itself ultimately in a corresponding cost of services etc., which were often remunerated in kind. Now-a-days, however, prices of commodities like cotton, wheat and sugar are determined by world-supply and world-demand. If any other agriculturist produced two pods of cotton, two corns of wheat or two stalks of sugar-cane where he grew only one formerly or paid 3 or 4 per cent. as interest on the capital he invested in agriculture, the Bombay agriculturist cannot continue to grow only one pod of cotton, one corn of wheat or one stalk of sugar-cane or to pay 25 per cent. on his borrowings and still hope to carry on, unless he has corresponding exclusive advantages over the former or is content with a corresponding lower standard of life. Similarly, he cannot afford successfully to run a race with the mill-stone of high-interest-carrying unproductive debt round his neck, if his competitors are not handicapped similarly. Sufficient capital at the lowest possible rate of interest and on terms suited

to the needs of the agricultural classes, is, therefore, necessary not only for the improvement of their economic condition, but largely even for their very existence.

Though agricultural finance cannot be said to have received the attention it deserves either on account of its proportions or its vital bearing on the bulk of the population of the country, it is true that the problem of the load of old debts and absence of credit facilities for current agriculture has been exercising some of the best brains in the Presidency—official and non-official—from the sixties of the last century. The gravity of the situation in certain parts of the Bombay Presidency, was brought to the fore by the agrarian riots that took place in the Poona District in 1878. In 1879, protective legislation in the form of the Deccan Agriculturists' Relief Act was passed. In 1883, a capitalist scheme for a bank which was promoted under the inspiration of Sir William Wedderburn for redeeming all the debts in one of the Talukas of the Poona District, was objected to by the Secretary of State for India, both on principle and on its own merits. In 1883, the Land Improvements Loans Act and in 1884, the Agriculturists Loans Act were passed, enabling Government to advance loans repayable by easy instalments and at low rates of interest for land improvements and also loans for current agricultural needs.

The essentials of rural credit need not be discussed here. It is sufficient to say that no progress was made in the Presidency towards evolving a scheme which, besides avoiding the defects of state finance, would lead to automatic expansion and ultimate self-sufficiency and also to the encouragement of self-help and independence and a sense of responsibility in the agriculturist himself until the Government of India settled the question by passing the Co-operative Credit Societies' Act in 1904.

THE BEGINNINGS OF CO-OPERATIVE CREDIT.

The first credit society in the Presidency was registered on May 8th, 1905. The model accepted was the Raiffeisen model with "a closely restricted area and as consequence the mutual acquaintance of all members, joint and unlimited liability, gratuitous service on the committee, the rejection of shares, the allocation of the net profits to reserve, the limitation of loans to members only, reliance on personal rather than real credit and the control and the supervision of the use to which loans are put".¹ Besides favour-

¹ Report of the Registrar, Co-operative Societies, Bombay for the year 1915-16, p. 7.

able factors like traditions of collective action at the villages, there was "enough and to spare" of poverty and opportunities for production, "the two postulates for successful Co-operative Credit".¹ Progress has therefore been rapid in spite of numerous difficulties and some setbacks. The following quinquennial figures will give some idea of the results achieved :—

Rural Co-operative Credit Societies in the Bombay Presidency.

	1908	1913	1918	1923	1928
No. of Agricultural Societies	99	409	1,328	2,869	4,177
No. of members	5,150	27,905	97,268	2,07,372	2,63,492
Working Capital, Rs.	1,76,840	22,41,869	70,57,335	1,75,99,090	3,52,93,523
Share Capital, Rs.	2,310	2,900	43,528	4,61,534	15,44,306
Members' Deposits, Rs. . . .	89,849	5,50,762	16,14,903	40,61,200	74,09,134
Reserve Fund, Rs.	5,614	90,094	4,26,137	15,11,290	40,65,745
Loans with members, Rs. . . .	1,57,065	21,01,457	63,11,921	1,22,26,099	3,16,79,090

PURPOSES AND PERIODS OF LOANS. There is an impression in some quarters that the Co-operative Movement was started principally for the purpose of redeeming the agriculturist from his old debts. That, however, is far from being true. Indeed, the legislation was "specially designed to assist agricultural credit"². But the co-operative societies were intended to be "small and simple credit societies for small and simple folk with simple needs and requiring small sums only"² and their most useful form of business was probably to be "small loans for short periods with prompt recoveries"². Mortgage loans were to be allowed, but were to be watched very carefully.

As regards finance, the agriculturist's principal needs can, for practical purposes, be classified as follows :—

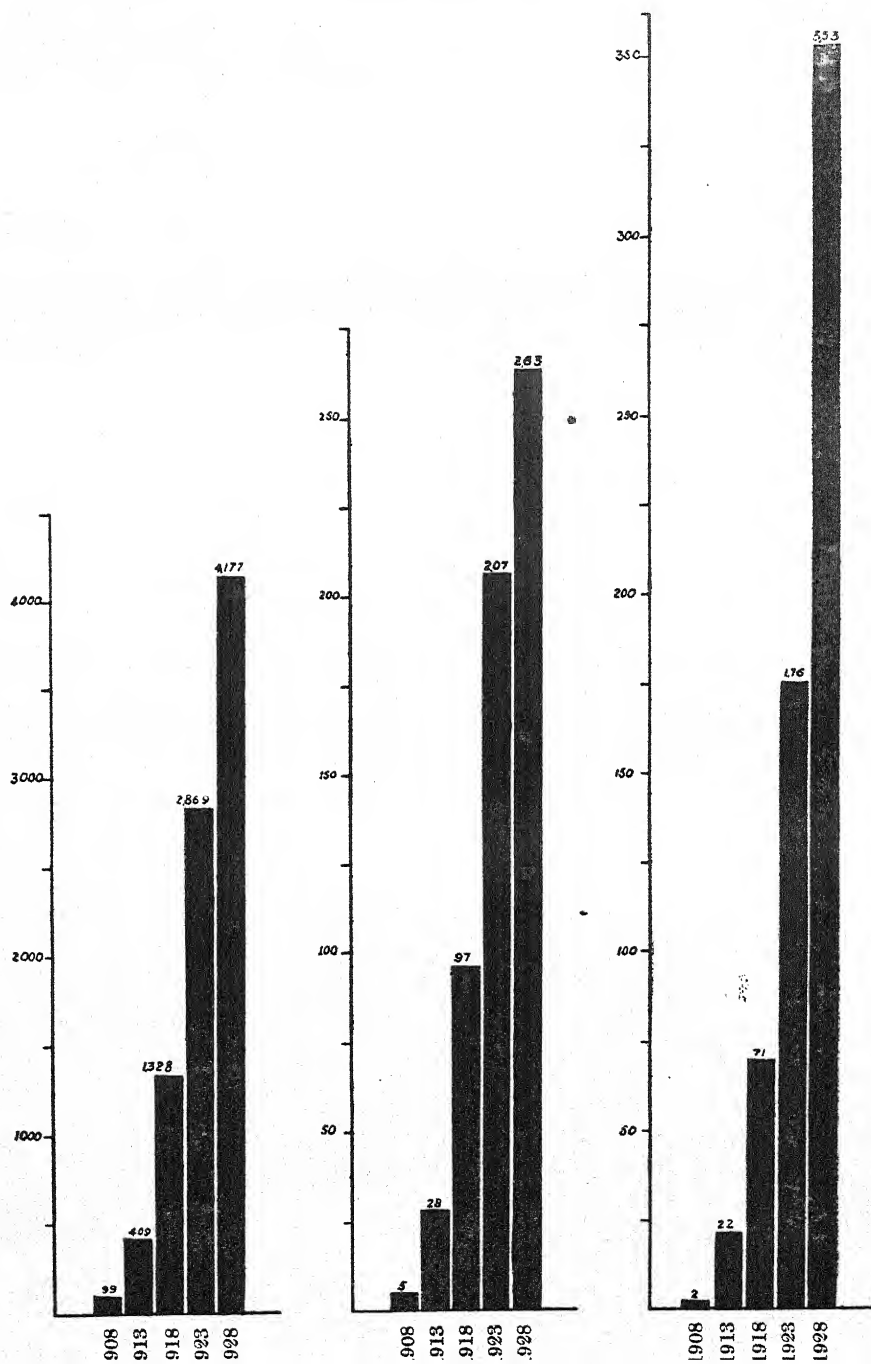
- (i) Current agriculture,
- (ii) Domestic requirements,
- (iii) Land improvement, and
- (iv) Redemption of old debts.

¹ Wolff's People's Banks, (1910), p. 514.

² Sir Denzil Ibbetson's Memorandum, Paragraphs 11 and 7.

AGRICULTURAL SOCIETIES

as on 31st March 1929.





Though loans for productive purposes and for short periods were to form its main business, the credit society made, funds and other circumstances permitting, loans for all necessary purposes including ceremonial expenses and for long periods also. The model by-laws recommended by the Co-operative Department for adoption do not define short-term and long-term loans. Under the same by-law, loans for current agricultural needs, ceremonial expenses, and minor land improvements are allowed. A maximum limit for such loans to an individual member is fixed in the by-laws and cannot be exceeded except with the permission of the Registrar. The loans can be advanced either on personal or mortgage security. Periods differ according to different purposes, but the maximum allowed under the by-law is five years. Under another by-law, loans for a maximum period of ten years are permitted, the purposes being restricted to liquidation of old debts, land improvement or other desirable agricultural object. The maximum amount of loan which could be advanced to a member as mentioned in the model by-laws is Rs. 750/- and this must be advanced on the possessory mortgage of immovable property of the value of thrice the amount of the loan.

It will be seen that the credit society has been doing both "short term" and "long term" credit business, but that the meaning of the words does not conform to that in use in certain circles or certain countries. Demand loans or loans for periods, not as a rule, exceeding three months, are short-term loans for commercial banks. In that sense, therefore, the credit society's business is confined almost wholly to long-term loans. On the other hand, loans for periods exceeding ten years only are called long-term loans in France¹ and probably elsewhere on the Continent also, the rest being classed as short-term and medium-term. In this sense, the credit society does not do any long-term loan business at all.

FINANCIAL ARRANGEMENTS OF A SOCIETY. A society may raise funds by means of (1) deposits and (2) loans from co-operative credit societies or from central financing institutions. A maximum limit for non-members' deposits and loans is fixed in the by-laws. There is no limit for members' deposits or shares and of course, none for the reserve fund. Deposits for periods shorter than two months are forbidden by a Rule under

¹ Impressions of the Co-operative Movement in France and Italy by Otto Rothfeld (1924), page 23.

the Act except savings deposits from members for the acceptance whereof, provision should be made in the by-laws. A few years ago, a by-law containing the terms on which savings deposits may be accepted by an agricultural credit society was framed and incorporated in the model by-laws.

The interest paid by societies on deposits fixed for one year is generally $6\frac{1}{4}$ per cent. As central banks have enough funds, a credit society hardly ever takes a loan from another credit society. The rate of interest on the Bank loan varies from 7 to 8 per cent. The rate of interest on loans to members is usually somewhere between $9\frac{3}{8}$ to $12\frac{1}{2}$ per cent. Lending rates of societies have frequently forced down the lending rates of *sowcars* in the neighbourhood, and have, therefore, benefited indirectly but considerably non-member agriculturists also. The maximum limit for membership of a society is fixed in the model by-laws at 100. There are societies where even this limit is allowed to be exceeded considerably. But the tendency now is towards restricting the membership to a number smaller than 100.

At present agriculture as a whole is financed by non-agricultural capital and naturally involves so much drain on the industry itself. There is no reason why the agricultural class, if not always the individual agriculturist, should not be able to carry on its business with its own money. Of course, when large capital investments are required for land improvement or for costly machinery on account of the progress of science, all the money required cannot be created in a day. Outside borrowings would then be necessary and justified.

OWNED CAPITAL OF SOCIETIES. The need of the agriculturist building up his own funds is no less vital than his present need for finance. Progress so far made in this direction is shown by the figures of share capital and deposits held by members on the 31st March 1928. These were Rs. 15,44,306 and Rs. 74,09,134, respectively and give an average of Rs. 34/- per member. The imposing total of Rs. 89,53,440/- representing the agriculturist's own accumulations is no small achievement. This combined with the reserve fund forms one-third of the whole working capital and is an indication of the essential strength of the credit movement.

Most of the agriculturists' savings are, however, compulsory, not in the sense that they are made against the wishes of members, but in the sense that they are deducted from loans or are levied

compulsorily in accordance with by-laws or resolutions of General Meetings. Deposits are as a rule fixed for five or ten years. Shares are transferable after ten years, and are returnable on cessation of membership. They rank for dividend after the completion of ten years of the existence of a society when half the accumulated reserve would be available for distribution as dividend which should not in any case, exceed $7\frac{1}{2}$ per cent. per annum.

In Sind, the share system was allowed from the very beginning on account of special reasons, the chief amongst them being the religious scruples of the Mahomedan population to accept interest on deposits and the inability of the cultivating classes to offer any tangible security as they are mere tenants-at-will. The policy of the rejection of shares and indivisible reserve was, however, consistently followed in the Presidency proper till 1925, when in spite of its many advantages, the policy had to be reconsidered in connection with canal areas, where commitments were heavy, famine areas where the financial position was precarious and insecure, and tracts where the cultivator did not possess the rights of free alienation of the land he cultivated. The policy was adumbrated in the year 1926. During the year 1927, shares were introduced in special tracts and in 1929, the system was accepted for the Presidency as a whole and no new agricultural credit society will be registered now with non-share by-laws unless there were special reasons.

INCULCATION OF BANKING HABITS IN VILLAGES. It has been realised that if credit societies are to serve as real village banks, the use of cash should be minimised and one rupee enabled to do the work of many, that not only should hoarding be stopped but even seasonal or other temporary surpluses should find their way into societies, that the tendency of the agriculturist for the purchase of more and more land whenever possible should be checked and that he should be taught to appreciate the value of cash savings. Societies within a radius of ten or fifteen miles from the Head Office or the Branch of a Central Bank usually disburse loans to members, and almost invariably operate on their credits by means of cheques on the Bank concerned. When there is not much to hoard, there can hardly be hoarding on any large scale for the Presidency as a whole, but the tendency is wearing out both on account of the progress with time and the influence of societies. The method of getting hold of the temporary surpluses with the agriculturists was thoroughly considered during the

year 1921. The conclusion arrived at was "that active propaganda should be conducted to popularise the habit of Savings Banks' deposits in A and B class societies in selected areas near or within easy railway distance of District Banks"¹. Rules were drawn up and embodied in a model by-law. The Savings Bank accounts have not met with any conspicuous success but one cannot but feel that better success would have attended the system, had Government and other officers on the spot realised the importance of the accounts as well as the few officers at the top. As for the greed of the agriculturist for more and more land, it is difficult to say whether, in spite of efforts made so far, there has been any great change for the better. So also about cash savings, the desire on the part even of those comparatively few agriculturists who can afford to do so, to lay by something when cash comes into their hands, is not common and for an average agriculturist, the compulsory savings insisted upon by societies often more than cover his whole margin. The system of compulsory savings though very desirable in the circumstances, is, however, an obstacle in the growth of the habit of voluntary savings.

RESERVE FUNDS. The Reserve Fund of the agricultural credit societies stood on the 31st March 1928 at Rs. 40,65,745/-² and works out at a little over 11 per cent. of the working capital. The reserve has, except in societies with shares, been indivisible and yet on account of rapid increases of working capital from year to year and a comparatively small margin between the borrowing and lending rates, its proportion to working capital is not great. If, however, Re. 1/- at $12\frac{1}{2}$ per cent. compound interest can swell to over Rs. 1,31,000/- within 102 years, it would not be an idle dream to expect existing credit societies, to build up, under average conditions, reserves which would in many cases not only suffice for their ordinary business but also serve as endowment funds for the welfare of the villages concerned, in the course of another fifty years. As the Bombay Co-operative Societies' Act allows 20 per cent. of the net profits of a society to be used for a charitable purpose with the approval of the Bombay Provincial Co-operative Institute, certain village needs are frequently met out of this portion of the profits even now, and some old credit societies have already enough reserves for the ordinary needs of members.

¹ Report of the Registrar, Co-operative Societies, Bombay for the year ending 31st March 1922, page 7.

² This figure went up to Rs. 46,36,785/- on the 31st March 1929.

NON-MEMBERS' DEPOSITS. Capital coming from outside the movement consists practically of non-members' deposits which formed 11 per cent. of the working capital on the 31st March 1928. When the movement was started Government advanced up to Rs. 2000/- provided an equal amount was raised by the society as deposits fixed at least for five years. The Government loan was free of interest for three years and repayable by twenty annual instalments. With the advent of the Bombay Central (now Provincial) Co-operative Bank, however, such loans were stopped seventeen years ago. Non-members' deposits show the confidence that outsiders feel in societies and non-members do not hesitate to extend periods year after year. But when societies become negligent and accumulate arrears, they raise a hue and cry suddenly. Not only is the credit of the societies affected, but practical difficulties in regard to the future finance of the societies by Central Banks, arise. Non-members' deposits are, therefore, being discouraged of late, and the result can be seen from the fact that the percentage of such deposits to the total working capital has gone down from 17 in 1923 to 11 in 1928. The best course would appear to be to frame and enforce a Rule prohibiting primary agricultural societies from accepting non-members' deposits unless satisfactory arrangements for fluid resources, approved by the Registrar, are made.

FINANCE FOR THE CURRENT NEEDS OF AGRICULTURE. The finance of the current needs of members is a matter in which the credit society can justifiably be asked to render an account. The average outstanding loan with a member has been as follows :—

Year	Amount
1908	Rs. 30- 8-0
1913	„ 75- 5-0
1918	„ 64-14-0
1923	„ 76- 3-0
1928	„ 120- 4-0

The recent increase in the average is the result of the attention paid to the question of adequate finance of members of credit societies. Systematic and regular preparation of maximum credit statements approved by General Meetings of societies and duly checked

by Supervisors, or Bank Inspectors, and sanction of special limits for members who require loans in excess of the general limits mentioned in the by-laws are the two methods by which a very near approach is made to adequate finance at the same time avoiding the dangers of facile credit.

The total occupants of the Government lands in the Bombay Presidency are about twenty lacs and it is estimated that they require about 25 crores of rupees for cultivation expenses annually¹. Members of credit societies would, therefore, require about rupees three crores and forty lacs. But the total advances made during the year 1927-28 amounted to Rs. 1,59,72,334/-. About 80 per cent. of these loans i.e. about Rs. 1,28,00,000/- must be for current agriculture. If it were supposed that 33 per cent. of the members were not financed because arrears formed 33 per cent. of the demand and because several did not require any loans, Rs. 1,28,00,000/- were advanced to 1,75,000 members against their requirements of Rs. 2,20,00,000 i. e. about $\frac{3}{5}$ of their requirements. It would, however, be more correct to say that about $\frac{1}{2}$ of the members are getting adequate finance and do not have to go to any outside agency for their current needs. Some of these are amongst defaulters who for various reasons do not repay societies' loans, but continue to apply the money to their current needs.

The success attained in this respect is creditable and yet the present supreme need of the movement is sufficient timely finance for members' current needs, not only because it would lead to better production and greater profits but also because it has, as will be discussed later, much to do with redemption of old debts. In the co-operative movement, there is "money" in the Central Bank and there is "want" on the part of the member of many a primary society and yet the former is not used sufficiently and the latter not satisfied fully. The difficulty is the comparatively inferior strength of the link, the primary society, which requires further to be strengthened. Greater discriminating elasticity in the society to command the confidence of members and greater supervision, check, and control both for the member and the society,² and greater efficiency on the part of financing and supervising agencies would enable the abundant supply to satisfy the demand. Speaking of the Presidency as a whole, therefore, the outstanding need of the credit movement is not the reduction of the lending

¹ Registrar's Report for the year 1922-23, page 8.

² Wolff holds this view very strongly. See his "Co-operation in Agriculture" (1912), p. 256.

rates either of primaries or of centrals, but intelligent expenditure of more and more money on inspection, supervision and propaganda.

The strength of agricultural credit societies is recognised by Government which do not, as a rule, advance any loans to members of credit societies, and to any agriculturists in areas declared as special tracts on account of the spread of agricultural credit co-operation.

About 8 to 10 per cent. of the population depending directly or indirectly on agriculture is in the agricultural credit movement. Working capital and membership and also the owned capital have been going up year after year. In spite of the fact that for the last few years credit societies are registered in response to spontaneous demands, and a policy of consolidation is followed, the number of societies has kept on steadily rising.

PROGRESS OF CO-OPERATIVE CREDIT. The progress of co-operative credit however has not been uniform all over the Presidency. In some Districts, or parts of Districts, progress has been rapid and societies have been in a flourishing condition. Amongst Districts, Dharwar, Broach, and East and West Khandesh stand out prominently with the number of their societies, membership and working capital both as a whole and per number and comparatively low arrears. Sind also has been forging ahead. In the Dharwar District, the percentage of societies to the number of villages is over 48. In Walwa Taluka of the Satara District, the number of societies is larger than the number of villages and only two or three villages are without societies.

The difference in the development in the different parts has, at least in the past, been due not only to different agricultural conditions and the nature, mentality and habits of the people, but also to the availability of suitable non-official workers. The progress in the Broach District and in the Walwa Taluka must, to a great extent, be attributed to two such indefatigable workers.

The Bombay Presidency is a presidency with very diverse agricultural and other conditions, and the problems and lines of development of co-operative credit differ necessarily though not wholly, in accordance with those conditions. They can best be discussed separately.

TRACTS LIABLE TO FAMINE. A majority of the Districts of the Presidency are partly or wholly liable to famine on

account of scanty and badly distributed rainfall. About one-third of the total cropped area of the Presidency is almost in constant danger of famines, another third is exposed to famines but to a smaller degree and about one-third only can be said to be practically immune from famines. In famine areas, agriculture is a gamble in rains. The ordinary theory of co-operative credit is that a member must utilise a loan for a productive purpose and must repay it with interest out of the sale proceeds of the commodities produced. But when on account of a famine, the money spent on seeds, manure, labour, cattle etc. does not bring any return or a very insufficient return, the whole theory breaks down and when such conditions recur frequently, the position becomes much more difficult. If agriculture were a gamble in rains, finance for such agriculture must necessarily share all the disadvantages of gambling. Till now no solution has been found and credit societies like their members have to depend on chance. Finance for a cycle of years has sometimes been suggested, but it is not understood how cycle finance can succeed where no definite cycle exists. The only method that appears feasible is not to fix up instalments at the time of advance of loans as in areas with normal conditions, but to fix demands on the basis of the nature of the season and of the circumstances of each member, about the time that crops reach the harvesting stage; and during good years, to advance loans on a conservative basis keeping some margin for advances during bad years. On the other hand, if members cannot return the loans they take, even though through no fault of their own, societies cannot go on advancing loans indefinitely every year. Even if a society were strong enough to do so, such finance is not desirable. It is a conundrum as to how agriculturists in villages in famine tracts manage to live even without the bare necessities of life.¹ At times they appear to live on nothing.² A larger number have to labour in cities or in other agricultural areas on low wages. It is by an extra low standard of living and by labouring outside their own tracts that they can meet their liabilities. Great care has, therefore, to be taken to see that their standard of living is not raised beyond their capacity simply on account of the loans that they may be able to secure from societies for a certain number of years.

¹ Vide *Life and Labour in a Deccan Village*. Studies No. I and II by Dr. Mann and N. V. Kanitkar, particularly chapters on the "The People of the Village".

² Report of the Co-operative Committee of the U. P., 1926. pp. 25, 26.

There are only two directions in which efforts can and are being concentrated. The first is to induce the agriculturist to lay by something during good years. It is with a view to provide not only a permanent capital for a society but also a semi-permanent saving for the individual member that the introduction of the share system was thought of. If during a few good years, a considerable amount of share capital and fixed deposits were collected, they would stand the members in good stead during bad years.

The second direction is that of making the agriculturist, as far as possible, independent of rainfall and of enabling him to get better returns for the same quantity of rainfall. Conservation of moisture in land, construction of small embankments (*tals*) on the fields, of embankments for diverting water of streams, digging or deepening of wells either with or without the help of boring machines and the introduction of better implements and seeds are amongst the improvements encouraged and freely financed. In short, everything which serves, in however small a degree, as insurance against famine is taken advantage of.

It may be stated that in the famine stricken areas of the worst kind, some loans advanced on personal security had to be recovered from sureties. The tendency has, on account of uncertain conditions, been to substitute mortgage-credit for personal credit.

CANAL AREAS.— The problems of the canal societies—particularly those on the Nira, Godavari and Pravara canals—are of a different nature. The difficulty regarding uncertain water supply for crops does not exist, but fluctuating or rather falling prices and deterioration of soil have caused no smaller embarrassment. The most important crop on the canals has been sugar cane. Unexhausted soil and high prices of *gul* brought good profits to sugar cane growers till a few years ago. As it was possible even for an inefficient agriculturist to grow sugar cane with profit, many cultivators who should not have taken to sugar-cane-growing, went in for it. The rise of income led to a higher standard of living and whatever surplus remained was utilised in extending sugar cane cultivation and in purchasing lands at high prices. The soil however showed signs of exhaustion resulting in lower yields and the high prices which were temporary, gradually went down and the reverse process began. For a year or two or more, so long as the cultivator had money or credit and consequent command over

money, he entertained the hope of a rise in prices, and persisted in what turned out to be a gamble. Large debts were thus incurred. The losses incurred on sugar cane which requires more capital than the value of the land on which it is grown, cannot be usually met out of the profits of other crops. Growing sugar cane carried with it a certain prestige and social status and consequent higher standard of living. This standard has, in the first instance, to be reduced so as to allow for the loss of the large income on account of the reduction or abandonment of sugar cane cultivation. This is difficult. Much more difficult it, therefore, becomes when not only has the agriculturist to do without the sugar cane income, but has actually to make a saving to meet the previous losses. For some, this appears impossible and they would be well-advised to dispose of part or all of their assets and clear off their debts. Others can, if they exercise thrift, and contribute personal labour and care, tide over the difficulties. There is no doubt that a number of careful, discriminating and intelligent agriculturists can and do still grow sugar cane without a loss and even at a profit. But that cannot be true of the average sugar cane grower if and so long as the *gul* prices of 1927-28 persist.

For current agriculture, two limits are fixed in the by-laws of canal societies—one for sugar cane cultivation which is high, usually as high as Rs. 2000/- per member, and another for other crops. Almost all loans exceeding Rs. 500/- are advanced on the mortgage of immovable property and also of the sugar cane crop if the finance were for sugar cane growing. The credit in canal societies has, therefore, been mainly mortgage credit. A crop of sugar cane does not get ready and bring in money before the plantation time of another crop. On the other hand, once a crop is financed, it would be undesirable to stop finance in the middle. The scale of finance per acre had to be curtailed during the year 1927 and at present practically no member who cannot find his own money for initial expenses and for plantation is financed for sugar cane. As societies' finance commences at a late stage, there is no difficulty of overlapping now.

In view of the special circumstances of canal societies, officers called Special Mamlatdars were appointed for checking individual demands and every loan to be advanced by a society had to be approved by the mamlatdar before it was drawn from the Bank. A few years ago, Special Mamlatdars were replaced by Bank Inspectors. Recently, the practice of the approval by a Bank Inspector of every loan even at the time of advance is dispensed

with. It may also be mentioned that the system of group secretaries has been in existence in these societies as the work involved is laborious, very responsible and continuous.

The difficulties in the canal societies are temporary and will gradually disappear as the economic position of the past and present sugar cane growers gets itself adjusted. Facilities are being given by credit societies in this connection. In deserving cases, extensions are granted and members' debts are made payable by two, three or more annual instalments up to ten. Fresh cautious finance is also made available to such members in order to enable them to carry on their agricultural operations.

The societies in the canal villages which are content with growing crops other than sugar cane, have no special difficulties and are, as a rule, working satisfactorily.

TRACTS PRACTICALLY IMMUNE FROM FAMINE.

In some of the areas which have no difficulties regarding rainfall as also elsewhere there are difficulties of peculiar land tenures and the domination of Zamindars. Amongst others, the Khoti system in the Konkan and the Talukdari in Gujarat under which tenants have no rights on lands they cultivate, serve as a great hindrance in the development of Co-operative Credit, as the tenants have no assets and the Talukdar cannot, even by becoming a member of a society, burden his estate beyond his life-time. It was first here that the need of members' own permanent capital and, therefore, of the introduction of shares was felt. The societies in villages which have no difficulties regarding land tenures and yet have assured rainfall, have generally been doing consistently useful work.

SIND. Sind, as a whole, may be taken to fall in the previous group. There we have the problem of the extreme illiteracy of the agricultural classes and lack of compact communities living on village sites and also the problem of the Zamindar and the tenant. Close and constant supervision¹ remedied the first difficulty and as regards the second difficulty, Zamindars and tenants are enlisted as members in credit societies.

The Punjab model was accepted for Sind societies. The movement in Sind can be said to have had a real start from 1918. With the share system and the unwillingness of members, who are mostly Mahomedans, to accept any interest on deposits, or even dividend

¹ Registrar's Report for 1921-22, pp. 6 and 7.

on shares, societies have built up owned capital quickly. Arrears are within reasonable limits and many members have paid off their old debts out of their profits of agriculture and freed themselves from the clutches of sowkars.

Both because the big Zamindar is the lord or one of the lords of the village and because his needs are greater than those of small Zamindars or his tenants, it has not been considered advisable to encourage him to borrow from an ordinary village credit society of which he may be a member. On the other hand, even if there were more than one big Zamindar in a village, their number would be too small for an independent credit society. The Raiffeisen type of society does not suit them. Separate Zamindari Banks with limited liability and operating in extensive areas like a Revenue District were, therefore, organised. Three such banks have been registered. They finance land-holders who pay Rs. 500/- or more as land assessment, to the extent of Rs. 5,000/- each. On the 31st March 1928, there were, in two of the working banks, 281 members and Rs. 586,000/- were on loan with them, giving an average of Rs. 2000/- per member. It is to be hoped that mortgage-credit will be avoided as far as possible, in the case of these Zamindars who glory in being unbusinesslike and extravagant,¹ lest in the words of President Dupin, it might support them as "the rope supports the man hanged".

BACKWARD TRACTS.— A backward tract may roughly be described as one where :—

- (1) Agriculturists, as a class, are illiterate, indebted and unacquainted with business principles or methods.
- (2) Agriculturists usually live in very small hamlets and perhaps in scattered huts.
- (3) Agriculturists are not used to the handling of cash to any considerable extent and their transactions with *sowcars* are, for practical purposes, in kind.
- (4) There is a great dearth of literate—even illiterate—persons willing and able to do any public honorary work.
- (5) Sufficiently literate local men are, as a rule, not available at the hamlets to do accounts or similar work.

It is obvious that here the need of the relief that can be obtained from co-operative organisation is the greatest. And yet the ordinary credit co-operation with autonomous village societies and

¹ Registrar's Report for 1921-22, p. 7.

without arrangements for the supply of agricultural and domestic requirements and the sale of agricultural produce and without outside aid, cannot succeed. The movement cannot grow gradually, as a few isolated credit societies have no chances of success. There are therefore, only two alternatives : evolving a special organisation or leaving the agriculturists to themselves for a generation or more until conditions change for the better.

CO-OPERATION IN THE BHIL TRACTS. Such tracts form not an inconsiderable portion of the Presidency. They are to be found particularly in the Panch Mahals, Surat, West Khandedh and Poona Districts and also in Sind. But only two contiguous talukas with about 1,00,000 of Bhil population were selected for a concentrated attack. The Bhils are an aboriginal race, not considered untouchable, but low in social status. Though illiterate as a rule they have a natural quick understanding of simple matters and are straightforward. Co-ordinated efforts wherein the Co-operative Department, the Provincial Bank and non-officials including prominent social workers co-operated, were made during the year 1922-23 and an organisation suited to local conditions was evolved.

After considerable propaganda, 31 societies were added to the then existing number of 19 and the total brought to 50. The societies were on the ordinary Raiffeisen model. Shares were not introduced, but 10 per cent. of the loans sanctioned to members were credited to their accounts as deposits fixed for 10 years. As the needs of members were comparatively very small, the total business of these societies was not large enough to meet the cost of the special staff necessary for them, nor was it possible for the societies to provide sufficient business to the Provincial Bank to run its branches without a loss. Financial aid from the Government and the Bank was, therefore, indispensable.

Secretarial work was done by group secretaries regarding whose appointment and control, societies had, in practice, no powers. Group secretaries were recruited from the classes which had no great social objection to mix with the Bhils. As, however, it was rather difficult to find men good at accounts and writing work, it was later on found convenient to divide group secretaries into two classes—writing clerks and field secretaries, the former to be recruited irrespective of caste or creed. The clerks did all the ordinary writing work and the secretaries visited villages, prepared statements of credit and demands, saw that the members'

produce was sent for paying the societies' dues, took note of members' needs and did similar other work which must be done at the village. The cost of these men is partly borne by the societies and partly by Government.

An officer called a Special Mamlatdar was appointed. He was practically to be in sole charge of the movement in this area. He must control group secretaries, scrutinise credit statements, attend to collection work and do everything necessary for the success of the societies in his charge. No loan could be drawn by a society for any of its individual members without the previous approval of the Special Mamlatdar. The inspectorial staff of the Bank also worked under him. The cost of the officer is met half by Government and half by the Bank. On the 31st March 1928, two inspectors, three writing clerks and nine group secretaries were working under the Special Mamlatdar.

A branch of the Bombay Provincial Co-operative Bank was opened at Dohad with a view to ensure constant touch and provide banking facilities. After a time, a sub-branch was opened at Jhalod. Arrangements for supply and sale were also made partly through the Bank and partly through other agencies specially appointed for the purpose at six different centres. A branch of the Bombay Provincial Co-operative Institute was also opened at Dohad for carrying on education and propaganda amongst the members of societies.

Care was taken to see that the cash did not get into the hands of the borrowers as far as possible. If a member required seed or corn for maintenance or cloth or blankets or even bullocks, the society sanctioned his demand and passed it on to the agency concerned which was expected to supply the requirements. The debits were then transferred to the Bank in terms of money which in its turn debited the society concerned with the amount. Of course, it had to be seen at every stage that the individual member's or society's credit was not exceeded.

As for repayments, those in cash were not unwelcome, but were viewed *prima facie* with a certain suspicion lest the member took his crop to his old *sowcar* who credited the price thereof to his loan account and issued a fresh cash loan to enable the member to repay the society's loan. Both for this reason as also on the ground of co-operative principles, great emphasis was laid on the sale of members' agricultural produce as far as possible through the agencies approved by the societies. Receipts stating quantity and price of the produce brought were passed to members and

copies of the same were at the same time sent to the Bank and the society. If there were a balance left after the demand for the year was paid, the member, if he so desired, could draw the money in cash. For members who wished to store their produce to secure better prices, arrangements were made for advances being given to them on the security of the produce. The talukas, where this effort was made, form the eastern portion of the Panch Mahals District and are exposed to famine. On account of this and also other reasons, difficulties were experienced in the initial stages. The work was considered "a difficult experiment" and its "prospects" considered "uncertain"¹. It is gratifying to note that the results have, however, been satisfactory. 34 more societies were registered by the 31st March 1929, bringing the total number to 84. Only four of these have had to be wound up, two because of land tenure difficulties. The number of Bhil societies on the 31st March, 1928, was 69, with a membership of 3,904. If a member represented a family of four to five persons, 16 to 20 per cent. of the Bhils were in the movement. The total working capital was Rs. 1,61,110/- giving an average of only a little over Rs. 41/- per member. The needs of the Bhils are small, but the working capital on the 31st March does not represent the maximum utilised by members. A part of the loans is taken after the financial year opens and before it closes. Members' deposits were Rs. 41,434/- and the reserve fund amounted to Rs. 18,642/- together forming 37 per cent. of the working capital. Members have become increasingly loyal to societies, have understood their responsibilities, and have become independent of outside finance and a number of them have become free even from old debts. The office-bearers of societies have become more and more acquainted with the principles and details of management through that best of all teachers—experience. The work of the future will be the slackening of control and gradual devolution of the powers now wielded by the Special Mamlatdar, and a beginning has been ordered to be made by allowing select societies to operate part of their credit without the approval of the Special Mamlatdar for each individual loan.

Half the cost of the Special Mamlatdar and his staff and the subsidy towards the cost of group secretaries given by Government at present amounts annually to Rs. 3,670/-. The losses incurred by the Bank including the cost of the mamlatdar amount

¹ Registrar's Report for the year 1923-24, p. 12.

up to the end of 1928-29 to Rs. 14,000/-. The annual loss went down from Rs. 3,782/- for 1924-25 to Rs. 1,018 for 1928-29.

Co-operation in the Panch Mahals may be imperfect, more imperfect than elsewhere. But co-operation it certainly is. Here members assume unlimited liability, restrict their business to a small definite area, do honorary service according to their capacity, raise money on their combined assets or credit, lend the same to persons from amongst themselves generally on personal security, take all their profits to the reserve which is indivisible, and possess one vote each, satisfying every requirement of an agricultural credit society; but they require outside assistance at every step in the beginning. Literacy on the part of members of managing committees is not a *sine-qua-non* for a well-managed credit society. If kingdoms could be established and run by illiterate generals and statesmen, agriculturists even though illiterate can with a few years' experience, surely be trusted to run their own village society. Experience in the Panch Mahals has confirmed this view. Literacy, however, is a great desideratum, and it is a matter for satisfaction that philanthropy has been accelerating the pace of education amongst the Bhils by opening schools at suitable centres in addition to those run by the District School Board.

OVERDUES. If loans are made properly, applied by the borrowers to the purposes for which they are taken, if agricultural and other conditions are normal and if there are the necessary knowledge and discipline, there would be no arrears. If something untoward and unforeseen happened which would come in the way of collection as fixed at the time of the advance of loans, a well-managed society guided and supported by a similarly well-managed Supervising Agency and Bank, would recover whatever is possible under the circumstances, extend the period of repayment for the rest and try to see that members are enabled to carry on agriculture by further cautious finance. There would be no *unauthorised* arrears. When therefore, there are unauthorised arrears beyond a reasonable limit—about 10 per cent. of the demand or perhaps even 15 per cent. to allow for bad societies, they must be taken to be a symptom of "something wrong somewhere" requiring special attention. The percentage of unauthorised arrears to amounts due for repayment went up from 14 in 1926 to 33 in 1928 and indicates *prima facie* a position which is not satisfactory. Only three most important factors need be noted here.

(1) The end of the financial year is very unsuitable for correct figures regarding collections being obtained and tends to present a picture out of its true perspective.¹ Even during years previous to 1926, the percentage has shown fluctuations which cannot be explained satisfactorily.

(2) Arrears depend on the nature of seasons, the level of prices of agricultural produce etc. and some of the societies do not adjust themselves properly to the circumstances. It sometimes happens that no extensions are granted even in deserving cases during good seasons and wholesale extensions are granted during bad seasons. Unauthorised arrears, therefore, appear larger in some societies during good years than during bad years.

(3) A large portion of the defaults is due to losses incurred on account of famines or on account of low prices of *gul* in the case of sugar-cane growers. On the other hand, the *sowcar* has been curtailing his business, particularly in the famine areas, and in many cases, a member's debt to his *sowcars*, has in one way or the other, been transferred to the society. All such defaulted loans are, therefore, approximately on a par with loans for the redemption of old debts, recoverable gradually out of the profits of agriculture whenever conditions are favourable. To the extent these figures are unreal, there is less real cause for anxiety about the position of the credit movement.

The causes of unauthorised arrears discussed in 1922, viz. "insufficient supervision, indiscriminate selection of members or of officers of societies, and inadequate teaching and propaganda"² do continue to exist to a certain extent. But great improvement has taken place during the intervening period, in respect of every one of the causes—particularly the first.

Averages are often misleading. Going from the average to the particular throws considerable light on the position as regards arrears. In areas which can be considered approximately normal from the point of view of agricultural conditions and development of co-operation, the percentage of arrears is 20 per cent. whereas in precarious tracts arrears stand at 59 per cent. Further details show that arrears vary from 12 per cent. in Sind to 72 per cent. in the Poona District. Examining the position another way, out of 4317 societies on the 31st March 1929, 1647 had no unauthorised arrears, and in 490 such arrears were below 10 per cent.

¹ Registrar's Report for 1921-22, p. 9.

² Registrar's Report for 1921-22, p. 5.

Thus the position of nearly 50 per cent. of the societies can be considered to be quite sound. On the other hand, the societies with very heavy arrears were concentrated in particular tracts or Districts.

REDEMPTION OF OLD DEBTS. The question is often asked as to how far co-operative credit has relieved the agriculturist of the heavy load of his old debts. The question is difficult to answer. Societies have, as stated already, given loans under their by-laws for the redemption of old debts. When action in this direction requiring considerable outside finance is attempted, the past record of the society is taken into account and the preparation of a regular scheme for all the members of the society is insisted upon. A beginning is made with the most deserving members, and if the results are encouraging, further and further redemption is undertaken. Figures specially collected during the year 1917-18 showed that 18 per cent. of the total loans outstanding were advanced for the redemption of debts. During recent years finance for current needs has taken big strides and the present percentage of the total advances made annually can be placed at somewhere near 5 per cent., amounting to rupees eight or ten lacs. Such loans are not, however the criterion of the redemption of old debts. Some such loans may not have served their real purpose as the borrowers may have incurred debts again. On the other hand, finance for current agricultural needs has enabled a considerable number of members particularly in Sind and certain parts of the Presidency such as the Panch Mahals district, to pay off their debts to *sowcars* from their ordinary profits, without taking any loans from societies for the specific purpose of the redemption of old debts. Most of the Districts can show instances of societies whose members have no outside debt, particularly a debt which can in any sense be called an old debt.

The position of the agriculturist in connection with old debts is not so simple as often it is thought to be. Old debts cannot be the result merely of usurious rates of interest charged by *sowcars*. Usury presupposes a debt and a debt is incurred for various reasons. On old debts, the rate of interest cannot usually be very high, not because of the charitable motives of the *sowcar*, but because of the absolute impossibility of the recovery of interest at such rates for any long period. On account of protective legislation in favour of the agriculturist, the *sowcar* has not much to gain by going to a Court of Law. He can be very exacting only

if the agriculturist has to go to him every now and then for current needs. If, on the other hand, the agriculturist is made independent of the *sowcar* for current needs, the latter must, as a rule, come to terms with the former. That is how a number of agriculturists have been redeemed automatically.

It is true that a poor agriculturist cannot afford to pay a substantial part of his income towards his previous commitments which bring him nothing in return and that, therefore, no pains should be spared to make the cheapest capital available for enabling him to throw off his burden. It can, however, never be too much emphasised that money, though important in debt-redemption, is not so important as the agriculturist's attitude towards debts. So long as he takes debts as a matter of course, nothing can free him from debts. Formerly it was all a tussle between the *sowcar* and his client, the *sowcar* trying to take as much as possible, and the agriculturist, trying to spend as much as possible, out of his income. Whatever was not spent went to the *sowcar*. The client hardly ever hoped to pay full interest and repay the principal. The repayment of principal was a new idea¹ and even to-day it would not be difficult to find agriculturists in backward areas seriously arguing that repayment of the whole of principal meant the severance of the connection of the client with his *sowcar*. It has been found by experience that until the necessary change in the mentality of the debtor is effected, either through membership of a co-operative society or otherwise, it would be futile to attempt debt redemption.

There is another important aspect from which the position ought to be judged. Which is the greater immediate need of the agriculturist whose standard of living is below what is required for meeting the bare necessities of life? Let us suppose that a Deccan agriculturist requires a loan of Rs. 150/- annually for his current needs and has a mortgage debt of Rs. 400/- and that the former debt carries interest at 25 per cent. and the latter at $18\frac{3}{4}$ per cent. He has an annual income of Rs. 300/- out of which Rs. $112\frac{1}{2}$ go to meet the interest liabilities on his debts. Now comes a co-operative credit society. It advances the current loan of Rs. 150/- at $12\frac{1}{2}$ per cent. and the agriculturist saves Rs. $18\frac{3}{4}$ per year. Should the agriculturist use this saving for raising his standard of life or should he prefer to live as miserably as before for another

¹ Registrar's Report for the year 1907-8, p. 7.

sixteen years during which his savings may enable him to clear off his old debt?

The agriculturist often raises his standard of life and leaves the debt to take care of itself. The unthrifty economist will readily preach the virtue of thrift to this comparatively thrifty agriculturist. But it would be hazardous to say which is right—the pedantic reasoning of the former or the instinct of the latter.

Mere compilation of comparative figures of old debts would prove nothing so far as the co-operative movement is concerned. Even if the agriculturist may be using greater and greater economic goods every year, his debts may have remained the same. And after all, the co-operative movement can hardly mend all the economic ills befalling agriculture.

LAND IMPROVEMENT. As regards the other very important subject of land improvement, credit societies have been advancing loans for that purpose also, and more freely than for debt redemption. The 1917-18 figures showed that 8 per cent. of the total loans outstanding were for land improvements. The percentage is likely to have remained steady since then, though the percentage of such advances to the loans made every year would be about 4. In connection with the improvement of agriculture, this Presidency has definitely accepted the view that Government finance at comparatively cheap rates is a necessity and not in any way harmful. From 1922-23, Government have been placing at the disposal of the Provincial Co-operative Bank, rupees three or three and a half lacs every year, but the amount actually utilised has varied from rupees one to two lacs. This is partly due to the absence of official staff for enquiring into applications. As these loans take some time to be sanctioned, loans for land improvements—particularly for small ones—are often advanced by societies out of their ordinary funds at their usual lending rates. The Provincial Bank at present gets money from Government at $5\frac{1}{2}$ per cent. and the agriculturist gets the loans at a rate varying from $6\frac{3}{4}$ to 7 per cent. The margins of the Provincial Bank, the District Central Bank, if any, and the society which are responsible for repayment of the Government loan do not usually exceed $1\frac{1}{2}$ per cent. in all. There is a strong body of public opinion in the co-operative movement in the Presidency that for such loans Government ought to make money available at a rate lower than 5 per cent.

LAND MORTGAGE SOCIETIES. Though the work done by credit societies in connection with medium term or rather the so-called long-term loans is appreciated, it has been realised more and more that societies cannot hope to meet the needs of all—particularly of persons requiring large loans—and also to make the money available at a rate of interest much lower than what they charge at present. From a business point of view also, mixing up real long-term finance with current agricultural finance to any large extent is neither desirable nor possible. The desirability of starting land mortgage institutions began seriously to be considered in 1924, and after considerable discussion, the first land mortgage society was registered for a Taluka in the East Khandesh District during the year 1928-29. Two more similar institutions have also been registered. The following are the purposes for which it is the object of the societies to raise funds and lend them to members :—

- (1) The improvement of land and methods of cultivation.
- (2) The installation or purchase of costly agricultural plant and machinery.
- (3) The redemption of mortgaged lands and houses and the liquidation of old debts.
- (4) The purchase of land for the purpose of land improvements or for making better cultivation possible in the general interests of the community or for bringing under cultivation, cultivable waste, forest, or fallow lands.

The area of operations varies with the requirements of each case. In one society it is restricted to only a taluka—a sub-Division of a Revenue District. In others a whole Revenue District or even more may be allowed. The liability of a member is limited. He must pay an entrance fee of Rs. 5/- and must have a minimum share-holding to the extent of $\frac{1}{20}$ th of the loan he borrows from the society. The society, on the other hand, can borrow up to 20 times its share capital. All the loans of the society can be made only on the mortgage of immovable property, in no case of a value less than twice the amount of the loan. The maximum, as mentioned in the model by-laws for a loan to one member is Rs. 10,000/-. The maximum period during which a loan may be made repayable has not been fixed, but the period has to be prescribed by the Provincial Bank in each case. No maximum is fixed for dividend in the by-laws, and the maximum of 10 per cent. mentioned in the Bombay Co-operative Societies' Act applies. The reserve fund of the society (which consists of

25 per cent. of the annual profits, entrance fees, forfeited shares and fines) and its accretions must be invested in any of the securities specified in Sec. 20 of the Indian Trusts Act. The share capital of the society is to be invested in Government securities or kept in fixed deposit with the Provincial Bank.

Debentures will be raised by the Bombay Provincial Co-operative Bank and Government have agreed to purchase 4 per cent. debentures of the face value of Rs. 2,00,000/- at 88. Government have also agreed to bear the cost of the officers of the Revenue Department not lower in grade than a Head Karkun who will be entrusted with the valuation of lands.

Besides at least four representatives of share-holders, the Board of Directors, will have one representative each of Government, the Provincial Bank and the debenture holders. The Provincial Bank would make money available to the land mortgage society at 7 per cent., and the society will pass the money on to its clients at the same rate without keeping any margin. Simple accounts will be kept. Bonus or other remuneration for secretarial work will be paid out of the profits that may be earned on the share capital of the society or with the help of a special grant that may be made by the Provincial Bank. A central reserve fund will be created and kept in the Provincial Bank separately for land mortgage business and will be transferred to the central land mortgage bank when one is organized. Though societies have started preliminary work, no loan business has actually been done yet.

CONCLUDING REMARKS. Statistics are now-a-days a common method of judging results. But even those who do not agree with the Earl of Beaconsfield's description of them,¹ complain that they can be and are sometimes used for showing that things are better than what they really are. Imposing figures arrived at by simple arithmetical calculations, indicating savings in the form of interest etc. to agriculturists, redemption of old debts, land improvements, extended cultivation, better production, etc. could have been presented. They have, however, been avoided as they leave out of account many vital factors. If statistics are deficient in this respect, they are equally deficient the other way viz. that they do not give a real idea of many important results. A person who had to whine before a

¹ Lies, d—d lies, and statistics.

sowcar, may feel independent and self-reliant, even if his old debts were not discharged. The sense of independence is more important than the wiping off of the debt itself and yet statistics have no tongue to express the former. Similarly the change from an agriculturist who never saw more than two or three hundred rupees in cash to one, who as chairman, carefully weighs the needs of members, judges the relative importance of purposes, and is mainly instrumental in making advances to the extent of several thousands every year, is such as statistics cannot register. There are many who though they themselves would not have done half the honorary work done by villagers, are ready to belittle the services rendered gratis by office-bearers of credit societies. If, however, it were remembered that about 21,000 agriculturists are theoretically and about half of them actually giving their time and attention freely, and without remuneration, carrying on the work as best as they can, in spite of local difficulties, have built up even though with outside help a structure of immense magnitude and potentialities, one cannot but admire, with Luzzatti the "humble folk void of economic lore" who accomplished what would have appeared a miracle two decades ago. The services of the villagers embodied in the structure are a greater miracle than the structure itself.

The credit society has served as a business training school and provided opportunities for the creation of village leadership. It has also been found to be almost an indispensable foundation for the structure of non-credit co-operation.

The credit society with all its shortcomings represents the greatest effort so far made for solving the problem of rural credit. Its stature and usefulness cannot outrun the stage reached by its constituents in the development of character, acquaintance with the principles on which agricultural credit co-operation is based, and in simple business education accompanied or unaccompanied by literacy. The lesson of the Panch Mahals and to some extent, of Sind is that the practice of co-operation even under considerable outside check and supervision leads to the development of the very qualities required and tends to make the outside check and supervision less and less necessary. With check and supervision—exercised by which agency it is not necessary to discuss here—on a much more extensive scale, the benefits of credit co-operation can be taken to the doors of a much larger number of agriculturists than it has been possible to do up till now. Of course, outside check and supervision, wherever it be, must give place to an internal one at the earliest possible moment.

Credit co-operation has succeeded, stagnated or even failed for the time being according to circumstances over some of which man has, so far, no control. Even in the most adverse circumstances, however, its capacity for doing great good has been established. Special measures can be devised to meet special difficulties. Valuable, though perhaps at times costly, experience already gained must, if wisely utilised, lead to the gradual solution of the problem of rural finance.

CHAPTER II.

THE FINANCIAL STRUCTURE OF THE CO-OPERATIVE MOVEMENT

BY

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Historical retrospect. Central banks and guaranteeing unions. Three types of central banks. The Board of Directors. The staff. Resources: (a) share capital, (b) deposits, (c) loans. Financing of primary societies. Credit statements. Long term loans. Surplus funds and their investment. Dividends. Fluid resources. Supervision and inspection by central banks. Development of branches. Review.

CHAPTER II.

FINANCIAL STRUCTURE OF THE CO-OPERATIVE MOVEMENT

HISTORICAL RETROSPECT. The progress of the co-operative movement in the Bombay Presidency was so gradual and slow in the earlier years that the need for some central organization for finance and supervision came to be felt much later than was the case in other provinces where co-operative credit was introduced about the same time as in Bombay. When the legislation of 1904 was enacted, provision was made for the starting of only two types of societies, rural credit and urban credit. The originators of the movement did not contemplate the formation of central organizations, or probably did not foresee its rapid expansion on a scale which soon rendered it necessary in several provinces to devise some machinery for finance and supervision. From a study of the earlier discussions, it would appear that the Government of India, and those who were associated with this pioneer effort of theirs, expected that local deposits, particularly the contributions of members, would for some years be sufficient to meet the demands of members for finance, supplemented as these would be for the newly organized societies by Government loans equal in amount to the members' deposits. As the repayment of such loans was spread over a period extending over 20 years, societies would continue to enjoy the use of the funds for a good long time, and, besides, as in the first few years no interest was payable and as, later on too, the rate was kept low, they would be able to strengthen their reserve funds and thus add to the internal sources of capital. If there was any deficiency in the resources, it would be made good, so Government calculated, by a process of interlending. The urban societies, they anticipated, would accumulate resources large enough not only for the needs of their members, but also for being lent to rural societies. And this is what did actually happen in the Bombay Presidency in the early history of the movement. The growth in the number of rural societies and in their financial requirements was, as observed at the outset, so slow and was so well-balanced by the development

of the urban credit movement, that no difficulty was experienced, during the first few years, in obtaining funds for the rural movement. Further, in addition to Government, local depositors, and urban societies with surplus funds, Registrars were able to count upon the unfailing assistance of a number of individual sympathizers of the movement who placed deposits with various societies on their recommendation.

But, as experience showed elsewhere in India, co-operators in Bombay, too, discovered after about five years' working that these very loose and tentative arrangements could not last for ever. The earliest evidence of the appreciation of this point of view was the formation in Bombay city of an urban society, the sole object of which was to collect funds from individual sympathizers of the movement and pass them on to rural societies in various districts. It was partly their realization of the paucity of the resources of this institution, in relation to the potential needs of the movement, that led Sir Vithaldas Damodar Thackersey and Sir Lalubhai Samaldas to embark upon their project of a large central bank for the whole Presidency. The origin and growth of the institution they started are traced in another chapter, but it may be observed here that the Bombay Central Co-operative Bank was really the first central bank in this Presidency formed for the specific purpose of making advances to co-operative societies. Soon after the starting of this institution, the Co-operative Law of 1904 was amended so as to provide for the registration of central societies composed of primary societies as members and intended to facilitate the operations of such societies. All over the country, the provisional haphazard and unregulated arrangements for finance and supervision were coming to be replaced by the introduction of a system of central societies which, being registered till then wrongly as urban societies, ran all the risks attendant on a status unprotected by legislation. To avoid any danger of interlocking of liabilities, all such central societies were to be based on limited liability, and they were to form a class distinct from urban societies. The time had come, co-operators agreed, when primary societies could not stand alone and even if some societies had reached a stage of self-sufficiency, it was their duty towards the movement to make their surplus resources available, through a central organization, for societies suffering from a deficiency of capital. Similarly, it was the duty of the strong and efficient societies to help, by means of a system of mutual supervision, the weaker or inefficient units. The ideal accepted, in M. Luigi Luzzatti's apt phrase "*independ-*

enti sempre, isolati mai'' , was that while primary societies should ever strive to be independent, they could never afford to be isolated. The acknowledged policy of the co-operative movement from 1912 onwards came to be to link together primary units in their own central organizations, to balance the excess or deficiency in the supply of local capital, to obtain capital on favourable terms for investment with affiliated societies, and generally to co-ordinate and improve the working of affiliated societies by providing guidance and inspection.

CENTRAL BANKS AND GUARANTEEING UNIONS. When the new law of 1912 came into force, the total number of registered societies was less than three hundred, and only two of these, apart from the Bombay Central Bank, were classed as central. But even these two were overgrown urban societies which made available a portion of their surplus funds for being lent to rural primary societies within their districts. These were the banks at Surat and Broach; but along with these two, there were urban banks at Ahmedabad, Ahmednagar, Barsi and Dharwar which did similar business. Two attempts were made before 1915 to start local central banks in the districts on lines similar to those which had been adopted with success in other provinces, and though such banks did come into existence at Dharwar and Satara, they both failed to prosper. Hence, when the Mac-lagan Committee on Co-operation went round the Presidency at the close of the year 1914, the financing of societies in the Presidency was still mainly in the hands of the Bombay Central Bank, although ~~some~~ of the urban banks referred to above were looked upon as central banks and some others, though not classed as such, regularly financed co-operative societies in their respective areas of operations. The example of the working of central banks in the neighbouring province of Berar led to the formation of a district bank at Jalgaon in East Khandesh, and with the publication of the report of the Committee on Co-operation the ideas of co-operators on the lines of organization that should be adopted began to be clarified and banks came to be started in Dharwar and Poona and, later on, in other districts as well. The total number, including a bank in Karachi for Sind, rose to 13 by the year 1920. But during the years 1915 to 1920, the process of development was neither quite well ordered nor rapid. This was mainly due to the conflicting element introduced by guaranteeing unions. Pursuant to the recommendations of the Committee on Co-operation, this

system was introduced in this Presidency and unions were recognized as intermediate links between the Central Bank in Bombay and the primary societies financed by it. Each of these unions drew its membership from a group of five to twenty societies, situated within a radius of five miles, each member society in a union making itself liable, of course to a limited extent, for the borrowings incurred by the other member societies. This mutual guarantee was based on a system of mutual supervision and control, and, in virtue of these features of the system, the unions were accepted as admirable agencies for decentralization of financial control. Two parallel systems were thus in operation for securing local control and decentralization, the local central banks and the guaranteeing unions, which by 1920 had increased in number to 60. In return for the mutual supervision they undertook and the guarantee they assumed, primary societies under unions were allowed credits, which privilege was then not enjoyed by other societies. The unions were allowed lump credits, and as these were much beyond the resources of the local central banks to provide in the early years of their existence, and further, as the unions provided an intermediate link, a majority of them in all districts were placed in direct touch with the Bombay Central Bank.

The year 1920 marks a further stage in the growth of central banks in the Bombay Presidency. The Provincial Co-operative Conference held in the previous year urged that in any one particular area there should be only one agency for the financing of societies. The aims of the financial organization in the Presidency were described as the provision of prompt and adequate finance to primary societies and the conduct of supervision efficient and economically. District central banks were called upon either to work towards the achievement of these ends by opening branches and engaging inspectors or to allow their place to be taken by local banking unions or branches of the Bombay Central Bank. In view of this very clear enunciation of the financial policy of the movement, the position in different districts was subjected to very careful scrutiny. In the first place, the Bombay Central Bank was called upon to assume its proper role as a provincial bank and it was asked to decide, in consultation with the district banks concerned, the future of its business in all districts where local banks were in existence. The question of starting district banks in districts where there were no local banks was also examined and the future lines of work settled. The policy of linking up guaranteeing unions direct with the Provincial Bank in Bombay was abandoned, and

gradually one after another of the primary societies under unions, like other non-union societies, were asked to seek affiliation with the local bank. In some provinces, when central banks were brought into being, in areas formerly served by a central bank for the whole province, the outstanding loans of the latter were, as a matter of course, taken over by the local bank. In Bombay, the practice has not been so rigid, and a certain amount of discretion is enjoyed by central banks, and the apex bank has still some old loans outstanding in a few districts, like Dharwar, otherwise entirely financed by local banks. The present position is that, with the exception of the Upper Sind Frontier District, each of the districts of Sind has its own central bank; while, in the Presidency proper, the only districts without their own local banks are the Panch Mahals, Thana, Kolaba, Ratnagiri, Bombay City, West Khandesh, Ahmednagar and Satara. Turning to districts with local central banks of their own, we find that in the districts of Poona and Sholapur the provincial bank is in charge of the areas served by the canals, in East Khandesh it is in charge of one Taluka, and in Nasik and Ahmedabad of nearly half the districts. The total number of banks increased during the period 1920 to 1927 from 13 to 19, and pursuant to the general policy noted above the Banks have opened some fifteen branches, mainly in taluka towns. The banks had on 31st March 1929 an aggregate membership of 6,168 individuals and 3,824 societies. The total working capital was $2\frac{1}{2}$ crores, of which about $1\frac{1}{2}$ crore was invested with primary societies.

The Bombay Provincial Co-operative Bank, however, like the apex bank in Burma still continues to have large dealings direct with primary societies, although in Bombay its areas of operations are already defined and delimited, and there is neither any overlapping nor competition between two financing agencies in the same area. Out of 26 districts in the Presidency, one in Sind has neither a branch of the Provincial Bank nor a district bank, 18 districts have each a local central bank (one of these has two banks) and seven districts are still within the area of operations of the Provincial Bank. The total number of branches of the Provincial Bank in these districts is 17. In addition, the Provincial Bank has six branches in districts served by central banks for areas definitely excluded from the jurisdiction of existing local central banks, which they are unwilling to take over owing to heavy arrears and other financial complications or unable to finance owing to paucity of resources even when supplemented by finance from

the apex bank. It may be observed that new branches of the Provincial Bank are now being started only in areas already under the jurisdiction of the Bank, some of which were hitherto being served direct by the office in Bombay and others by branches which subdivide their jurisdiction for greater convenience of the societies concerned. No branch is started in an area already covered by a district bank.

THREE TYPES OF CENTRAL BANKS. The Committee on Co-operation classified central banks into three types, capitalist, pure (co-operative), and mixed. The capitalist type of bank is one where societies are not admitted as members or, if admitted, are not accorded any special representation at general meetings or on the directorate and where there is no restriction on the distribution of profits to shareholders. The pure co-operative type is the one where membership is composed only of societies and the general policy and management are wholly controlled by them. In the mixed type of bank, societies are admitted to membership and allowed to influence general policy as well as accorded representation on the directorate, and there are restrictions on the distribution of profits. As in the rest of India, the first type of central bank has practically disappeared, while there is only one example in this Presidency of the second type; it is the third type which predominates. The second type is theoretically the soundest and represents the ideal of self-control to which the financial organization must aspire. But under the present conditions of rural society, both educational and economic, it may be difficult to have purely federal bodies for finance except in restricted areas, where there is intensive development among a compact group of societies. In the Bombay Presidency, however the revenue district has been accepted as the unit for financial organization, and no encouragement has been given to the idea of having a larger number of banks covering smaller areas in preference to a smaller number with wider areas. The other alternative is now in favour in provinces like the Punjab and Bengal, where, in their restricted spheres, pure types of central banks or banking unions have stood the test of time and are being started in greater numbers. Where the area of operations is wider, as in Bombay and Madras, difficulty is experienced in getting together the requisite personnel from among representatives of rural societies to meet frequently at the district headquarters and guide the operations of a large organization, nor can the nucleus of the

guarantee fund be raised solely from societies or sufficient deposit capital made available through the influence of the directorate ; and yet the experience of the working of the banking union in Ahmedabad indicates that there is no reason why a pure type of central bank with a limited area of operations should not, with some guidance and assistance from the apex bank or the Co-operative Department, do as well as district central banks of the mixed type. All conflict of interest between the two types of shareholders is eliminated, control is unified, and the sole objective of the institution remains the welfare of the constituent societies. There is thus a great future for the small banking union or pure type of central bank, provided the policy of having the district as the area of operations is relaxed if not abandoned.

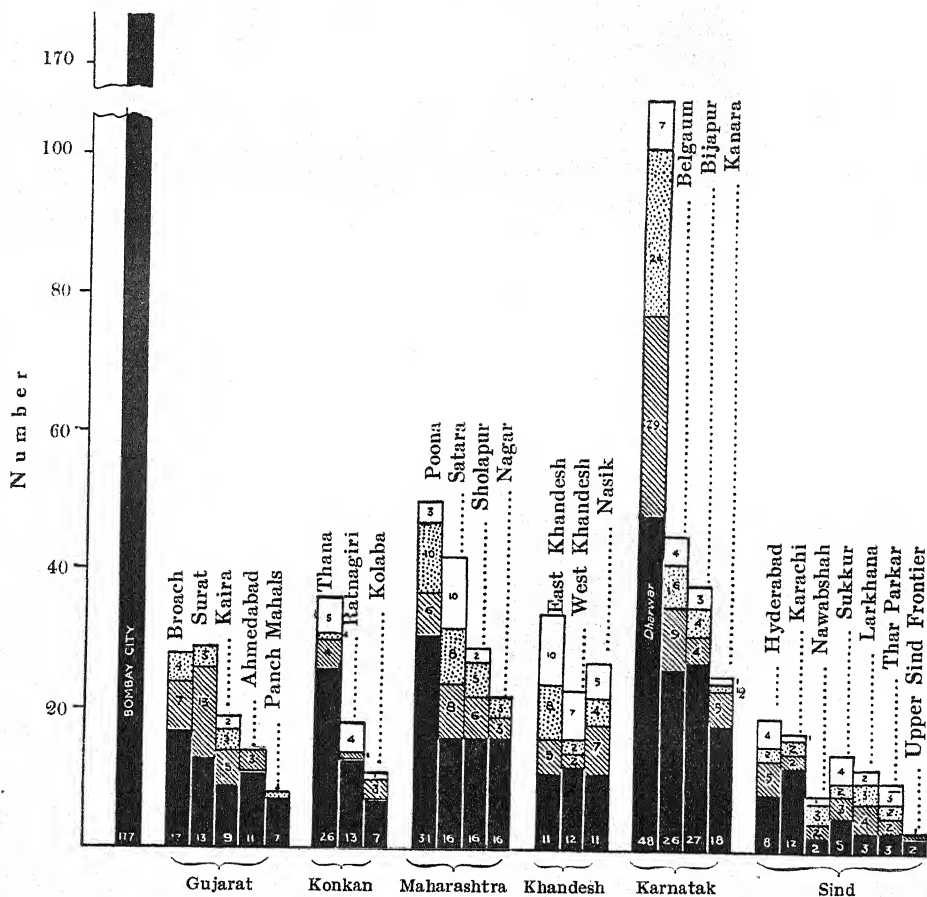
THE BOARD OF DIRECTORS. The final seat of authority in all central banks, as in other types of co-operative societies, is the general meeting. At these meetings, voting was formerly regulated according to the bye-laws, societies being generally allowed to send three delegates, each of whom would have one vote, while individuals had votes in proportion to the shares held but, in any case, not more than five or ten. Voting is now conducted on the principle of "one member, one vote". The general management is vested in a Board of Directors elected annually at the general meeting. The minimum strength of the Board is kept at nine, four to represent individuals and four societies, the ninth director, under the old model bye-laws, being a nominee of the Collector of the District. This latter provision, being found not necessary, is now being discarded, while with the addition of every fifty to the number of affiliated societies their representation on the directorate is increased by the creation of one additional seat on the board. The bye-laws are not uniform about the procedure of election, but voting for the representatives of societies is invariably confined to their delegates. The nominees of individual shareholders are, oftener than not, elected by all the members including the delegates from societies. Owing to the confusion likely to arise when elections are conducted by large assemblies, the suggestion has been made that voting should be conducted by dispatching and receiving voting papers through the post office before the holding of the annual meeting ; and in order to ensure continuity of policy it has also been suggested that only one-third of the full Board should retire every year. The chairman for the Board of Directors is usually elected at the general meeting,

and it is only in one bank that there is an obligation on the general body to select him from among the individual shareholders. In view, however, of the administrative work which has to be conducted by him or the managing director and the fact that this involves residence at the district headquarters, both these office-bearers are usually individual members.

THE STAFF. In the earlier years, much of the success of the banks depended upon the personality of their chairmen or managing directors, because of the inability of the banks to engage a paid staff. The daily management was attended to by one of these office-bearers with the assistance of a paid clerk, cashier or accountant, they had to interest themselves in raising share-capital and securing deposits, and, lastly, it was part of their duties to keep in touch with the affiliated societies. In this respect, too, the year 1920 represented a departure in policy; for central banks were called upon, thereafter, to engage a full-time competent staff, and most of them appointed managers or secretaries to whom was entrusted responsibility for the day-to-day work hitherto looked after by the chairmen or managing directors. About this time also, all central banks accepted the policy of having their own full-time inspecting staff. Government and the Provincial Bank agreed to contribute towards the cost of this staff, each to the extent of one-fourth of the total expenses of the establishment, provided the banks were new and did not pay dividends at a rate higher than $6\frac{1}{4}$ per cent. The strength of the staff both for office and field work depends on the size of each bank and the volume of its business, but almost all banks have engaged cashiers or accountants in addition to the managers. Where branches are opened a separate establishment is provided for these. The earlier recruits were either clerks of honorary organizers, secretaries of local societies or other workers in the movement; but, later on, the banks came to engage as managers young graduates in Arts or Commerce, and almost all of them were made to go through a course of practical and theoretical training provided by the Provincial Co-operative Institute. The course, till the recent changes in the curricula introduced by the Central Education Board of the Institute, consisted of a series of lectures, general and special, extending over a period of one month, while subsequent to this they had to work for one month at the office of the Provincial Bank and then spend one month more in visiting branches of the Provincial Bank, a few district banks and some typical primary societies and unions.

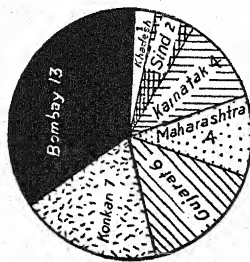
The qualifications and system of training for the office staff may now be said to have been more or less standardised, but the same can hardly be asserted about the field staff. In the first place, the duties of the inspecting staff have not been very clearly defined owing to the interaction of factors such as the organization and subsequent abandonment of the system of guaranteeing unions, and the recent introduction of a system of supervising unions. Now that a general working policy has been evolved, the Provincial Co-operative Institute has prescribed a course of training for Bank Inspectors, both practical and theoretical, and has laid down minimum qualifications which will set the standard for all banks. With their scope for business limited, as at present, and the field for development circumscribed, each individual central bank is not in a position to offer any very attractive prospects to those who join its service and proposals were mooted some years ago for constituting a provincial cadre. Almost all the Banks have provident funds for the staff and give annual increments, but owing to the acerbity of communal feelings prevailing in parts of the Presidency, the employees of some banks labour under a feeling of uncertainty of tenure not very conducive to efficiency of work. In order to stimulate the powers of initiative and enterprise among the staff it would also be an advantage if, subject to periodic check and general control, the managers and inspectors were allowed more latitude in the discharge of their duties than they seem to enjoy under present conditions.

RESOURCES: (a) *Share Capital.* Being based as they are on limited liability, central banks are required to raise initial capital in the shape of shares, and this provides the guarantee fund on the security of which additional resources are secured by way of deposits and loans. The aggregate share capital of all the banks amounted, according to the latest available figures, to 29 lakhs. The shares are usually of the denomination of Rs 50/- and are fully paid up on allotment. Following the recommendation of the Committee on Co-operation, the system of having a reserve liability is not favoured, and share payments are not spread over a number of instalments. The shares are generally of the same type both for societies and individuals and carry the same liability and the same rate of dividend. Only in one bank is there provision for payment of half a per cent. more, by way of dividend, to individuals than to societies. As a co-operative society cannot make advances except to its own members it follows that borrowing

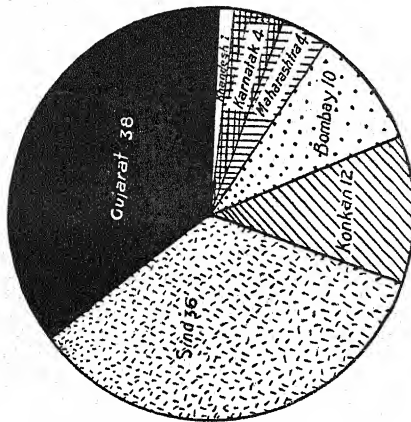


Distribution of Resource Societies (excluding Agricultural Credit Societies and Central Banks) by Districts, as on 31st March 1929.—II

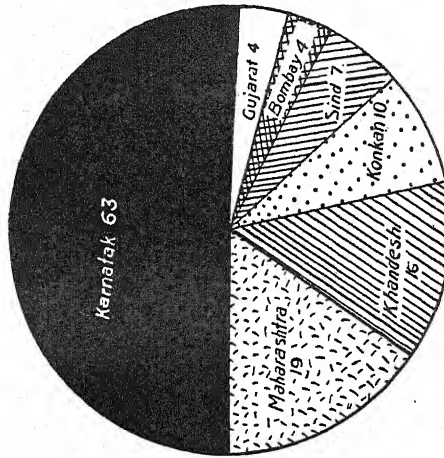
Black: Urban Credit Societies; Shaded with lines: Agricultural Non-Credit Societies; Shaded with dots: Supervising and Guaranteeing Unions; Not shaded: Taluka Development Associations, etc.



Consumers' Societies



Housing Societies



Producers' Societies

Distribution of Non-Resource Co-operative Societies—III
by Divisions, as on 31st March 1929.

societies have to become members of the central banks in whose area of operations they are located. In Germany, with its system of central banks of the pure federal type, each of the primary societies is called upon to contribute to the share capital in proportion to the extent of the business transacted by it with its central bank ; and as all societies have not to borrow throughout the year from their banks no inconvenience is felt in giving effect to this policy. In the Bombay Presidency, as in other parts of India, this practice is also followed in order to enable the central banks to increase their guarantee fund and enhance their borrowing capacity, although a majority of the constituent societies can only put in the amount of their share subscription by resorting to further borrowing. Originally, it was intended that this compulsory contribution to the share capital should not exceed one-sixtieth of the borrowings ; but, later on, as Central banks found that it was better to raise the additional share capital they required from societies rather than from individuals, this proportion has been raised to one-twentieth and in one bank even to one-tenth of the requirements for credit. Under the Bombay Co-operative Rules, the borrowing capacity of any society with limited liability is restricted to eight times the share capital plus the reserve fund, although central banks are permitted to incur further outside liabilities to the extent of twice the owned capital provided this additional amount is invested in Government securities to be lodged with the Provincial Bank. This limitation is based, first, on the experience and practice of sound joint stock banks and, secondly, on the ground that as the advances made by central banks can be recovered only once a year and repayment has often in practice to be spread over a number of years it would be risky to allow the banks to incur outside borrowings too large in proportion to the permanent owned capital.

(b) *Deposits.* The outside capital of central banks is raised mainly in the shape of deposits, fixed, savings and current, and the total amount of deposits held stood at two crores including deposits from societies. Prominent among the depositors in almost all central banks are the local bodies, municipalities, district boards, school boards and village punchayats which are all authorized to deposit funds in their local co-operative banks within prescribed limits. The bulk of these deposits are for fixed periods of one year and over. Deposits for shorter periods are not very common as they cannot be suitably employed in loans to co-operative societies. Varying rates of interest are offered according to the

periods of the deposits ; the minimum rate is 4 per cent. and the maximum $6\frac{1}{2}$ per cent. Some banks make a distinction between the terms quoted, on all classes of deposits, to members and outsiders. Interest is usually allowed at 4 per cent. on the minimum monthly balances for savings bank deposits, and restrictions are placed both on the amounts to be deposited and withdrawn and the number of withdrawals allowed per week or month. According to the Committee on Co-operation, current accounts were not to be encouraged in central banks, theoretically on the ground that the funds so raised could not be suitably employed and the fluid resource provision would leave no margin of profit. The practical consideration underlying this recommendation was a fear that the acceptance of this type of deposits would be resented by commercial banks as an encroachment on their sphere. But, in the Bombay Presidency, special steps have been taken since 1920 to get central banks to open current accounts both for societies and individuals and to offer and extend facilities for the operation of these by means of cheques, for the collection of dividends and drafts, and for the provision of other banking services. Attempts are being made in several banks, though hitherto not with much success, to get societies to operate on their loan accounts through current accounts. Interest is generally allowed on these accounts at two per cent., and as the banks can earn four to four and a half per cent. on the liquid reserves maintained against such accounts, the opening of these will, ordinarily, be a remunerative form of business, besides assisting in the extension of banking facilities in areas which are not likely to be served by joint stock banks. The movement has now gathered strength enough not to be deterred from undertaking legitimate business from the fear that it will antagonize capitalist banking interests.

INLAND EXCHANGE BUSINESS. It is because of the disappearance of this bogey that central banks have commenced interesting themselves in the development of inland exchange business in their areas of operations. Though the Government of India now seem to hold that the issue or purchase, the sale or discounting of demand bills of exchange should not be undertaken by co-operative banks for profit, it was the Government of Bombay that encouraged and even urged co-operative banks to enter upon this field of business with a view to develop banking facilities in rural areas. Co-operative central banks in the West have been known to undertake this form of activity on an extensive scale, and

although Government have now withdrawn the facility of free transfer of funds for demands arising on account of exchange transactions the business continues to be developed and extended by central banks on the strength of their own resources. The issue of bills is generally not hedged round with any restrictions, though some banks do not issue drafts except to members or current account holders. A similar restriction almost invariably applies to the discounting or purchase of demand bills, and the approval of the Board of Directors is taken to lists of parties whose bills can be accepted.

(c) *Loans.* To supplement the resources obtained by means of deposits, central banks can raise loans ; and in view of the existence of a Provincial Bank in the Presidency such loans are arranged with that bank only. In the earlier stages, almost all the central banks regularly resorted to the apex bank for finance, and the extent of this was ordinarily restricted to four times the owned capital of a central bank. At the outset, the rate of interest was fixed at three-quarters per cent. under the Provincial Bank's own rate of lendings to primary societies ; the prevailing rate now is 6 to 7 per cent. This accommodation was obtained in the shape of small cash credits drawable on demand by means of cheques, and larger maximum credits drawable at short notice according to forecasts submitted in advance. Recently, a system of short-dated bills has been introduced, the rate of discount varying from season to season and being sometimes as low as 6 per cent. The security for these borrowings is the demand promissory note of a bank itself backed by the bonds or promissory notes of primary societies financed by it. The credits are renewable every year and interest is payable half-yearly on the cash credits. Only two central banks now have occasion to borrow regularly from the apex bank, others having developed local resources sufficiently enough to be independent of such assistance. But a good many of the banks still continue their credit arrangements with the apex bank to fall back upon on emergent occasions ; while almost all of them have overdraft arrangements with the provincial bank against their holdings in Government Securities or their deposits in the Bank itself. In addition to such accommodation, some banks arrange, by special permission, for credits against Government securities with local branches of the Imperial Bank of India, and this provision is considered useful as a fluid resource against demand liabilities in current accounts. To avoid any unwholesome interlocking of liabilities, interlending, even in the shape of

deposits, by one central bank with another is prohibited, and the apex bank truly becomes the reservoir of all the surplus funds of the central banking system. Reference has been made, so far, only to short-termed borrowings by central banks, although it may be added that the provincial bank offers long-term loans to them for being advanced to primary societies for liquidation of old debts. Practically no advantage, however, has been taken of this offer, though a large number of central banks have availed themselves of the loans for land improvement granted by Government through the provincial bank. The central banks receive funds from the provincial bank at the rate of $5\frac{3}{4}$ per cent. and pass them on, at 6 or $6\frac{1}{4}$ per cent., to their member-societies for being used for the specific purposes for which they are sanctioned.

FINANCING OF PRIMARY SOCIETIES. The sole reason for the existence of central co-operative banks is to balance the surplus or deficiency in the resources of affiliated primary societies, and as hardly any agricultural credit societies have surplus resources throughout the year, their business comes to be limited to the financing of all constituent societies. But in view of the fact that the earlier banks developed out of urban banks, the question has often been raised whether central banks should not be permitted to make advances to individuals as well as to societies. To do so, however, would be to delay progress towards the goal of federal control in finance, and, in addition to the small element of conflict represented by two classes of shareholders, to introduce a further conflicting element in the shape of individual borrowers whose demands and whose interests might clash with those of the borrowing societies. Moreover, the factors determining the credit-worthiness of the two types of borrowers are entirely distinct, while the machinery set up for the scrutiny of the demands of societies is not wholly suitable for examining the credentials and security of individual applicants for finance. For these reasons, the financing of individuals by central banks is looked upon with disfavour, and the only departure permitted is the grant of overdrafts or fixed advances by a bank on the security of an individual's deposits in the bank itself, and under very special circumstances on the security of Government paper or the pledge of agricultural produce. The total amount of advances made by central banks to individuals was 5 lacs at the end of the year 1928-29.

No information is available in the Registrar's Annual Reports or the balance sheets of the banks themselves regarding the ad-

vances made to agricultural credit societies as distinguished from other classes of co-operative societies. But as the former group outnumbers by far the other types of societies, it is obvious that the bulk of the transactions of central banks are with agricultural credit societies. Special types of societies such as producers' and artisans' societies or housing societies or land improvement societies have special arrangements for obtaining loans from Government and rarely seek financial assistance from central banks. If, at all, they are financed by them, the accommodation allowed on the security of their general assets is small; and for larger advances additional security is called for in the form of pledge or hypothecation of goods or other property. The same holds good of non-credit agricultural societies which are sometimes allowed large credits on the security of agricultural produce such as cotton, while the practice of obtaining the personal security of members of managing committees is not unknown. Non-agricultural credit societies classed as urban banks usually work on their own capital raised by means of shares and deposits, but if these or smaller societies of this type seek finance, it is provided, within limits, on their general assets, and for further amounts on specific security such as assignment of bonds or other documents and the pledge of goods or Government securities. For well-managed or special types of societies, the rates of interest are occasionally kept a little lower than for agricultural credit societies.

CREDIT STATEMENTS. In all efficiently conducted banks, agricultural credit societies are now financed, more or less, on the basis of the detailed statements of normal credits of members prepared by them, but with an absolute maximum of one-third of the total unencumbered landed assets of the members. The statements of credits are prepared on the lines proposed by the Committee on Co-operation and contain information member by member, on their previous record of dealings with the society, the deposits, the value of lands held, the acreage and class of crops to be cultivated—whether on owned or leased lands—the requirements for various purposes and the approximate time when these would be needed, the credits proposed by the committee and those sanctioned by the general body. After making allowance for owned capital and recoveries and adding a small provision for contingencies, some banks, following the lead set by the provincial bank, sanction maximum credits for the year instead of fixed loans, making these credits drawable at short notice in accordance with the

demands noted in the normal credit statements. Such credits come up for revision every year, when an opportunity is offered to review the position of a society thoroughly. Cash credits are scarcely ever allowed to agricultural credit societies, but are granted occasionally for societies whose transactions are of a commercial nature. The most usual rate of interest is 8 per cent., but there are a few banks lending at 7 or $7\frac{1}{2}$ and some doing business at $8\frac{1}{2}$ per cent. No distinction is generally made while fixing the rate of interest between well-managed societies and others, but usually a penal rate is charged on all defaults. Although credits may be allowed, the drawings made are for specific purposes to be noted on the applications and the periods of repayment are fixed according to such purposes. Such periods correspond to the periods fixed by the societies under their own bye-laws, three years being the maximum limit for ordinary loans granted on the basis of normal requirements. When crops suffer for want of sufficient or timely rains, the grant of extensions is usually the rule. If there is no general failure of crops or other distress, extensions are allowed after consideration of each application on its own merits though the system of scrutinizing and disposing of such applications is capable of improvement.

LONG-TERM LOANS. Separate applications have to be submitted for long-term loans for land improvement or debt redemption and the maximum period for such advances is ten years. For ordinary short-term loans, the usual security taken is an agreement or bond, though demand promissory notes have been introduced in some banks. It is only in respect of long-term loans or *tagavi* loans for land improvement that banks obtain the collateral security of the mortgage bonds executed by members in favour of their societies and re-endorsed by the latter to the central banks. The amounts advanced for long terms on such security are by no means considerable, and it is being felt, that the business of short-term personal credit should be separated from that of long-term land mortgage credit. Proposals have been accepted by Government for the organization of local land mortgage associations in three districts of the Presidency which, for the time being, will deal direct with the provincial bank. In course of time, it is hoped, that these associations will have an apex institution of their own, through which debentures on mortgage security can be floated for obtaining the requisite financial resources.

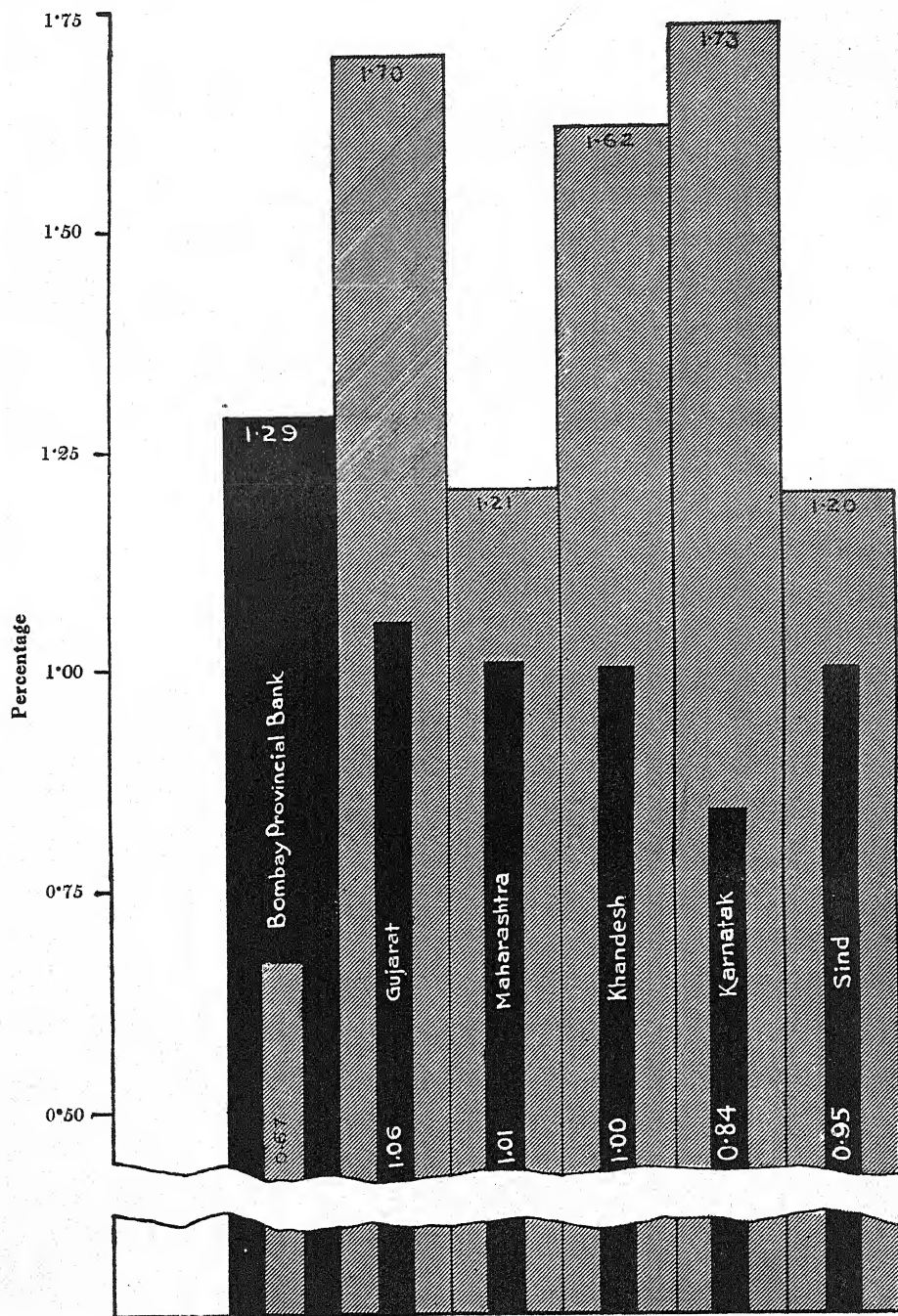
SURPLUS FUNDS AND THEIR INVESTMENT. A majority of central banks in the Presidency have surplus funds on hand throughout the year, which it is not possible for them to invest in advances to the co-operative societies affiliated to them. The amount of such surplus money is increasing from year to year, and the amount of outside investments stands at over half a crore. The investments are either in Government or other authorized trustee securities, or by way of deposits in the apex bank. The purchase or sale of Government paper is usually negotiated through the provincial bank on payment of a commission. The provincial bank accepts in deposit the surplus funds of central banks throughout the year, but if there is a wide margin between the rates offered by it for short periods and those quoted by joint stock banks permission is granted by the Registrar to keep deposits within certain limits with outside banks. Short-dated treasury bills offer another channel of investment for temporary surpluses. It has already been noted that practically all central banks enjoy overdraft or cash credit arrangements with the apex bank against their deposits and holdings of Government paper, and occasionally with local branches of the Imperial Bank of India against Government securities.

DIVIDENDS. The bye-laws of most central banks contain a limitation on the rate of dividends payable by them, while the new law also prescribes an absolute limit of ten per cent. The maximum rate of dividend paid by any central bank is $9\frac{3}{8}$ per cent., no bank pays less than 6, while seven per cent. is the common rate. In a few banks, the bye-laws provide for the payment, out of the profits, of rebate to borrowing societies which are punctual in the discharge of their liabilities, but this practice is not as general as it should be to give effect to the co-operative principle of division of profits among those who help to make them. Under the law, 25 per cent. of the net annual profits are set apart every year to build up the reserve fund, the aggregate amount of which was, at the end of the year 1928-29, $4\frac{1}{2}$ lacs. In addition to the reserve funds, several banks have special funds for buildings, provision against doubtful debts, or dividend equalization, and the total of such funds was nearly one lac. Some of the larger banks are already housed in their own buildings. Under the Co-operative Rules, central banks along with other societies may be called upon to invest their reserve funds in such manner as the Registrar may from time to time direct, but in view of the

fact that central banks are now building up outside investments from their surplus resources and have to maintain liquid cover against deposit liabilities no occasion appears to have arisen to enforce this Rule.

FLUID RESOURCES. The standard of fluid resource in this Presidency is neither so high nor so inelastic as was proposed by the Committee on Co-operation. At successive co-operative conferences, the standard proposed and the machinery suggested for enforcing it have been rejected, and the movement has adopted a more workable standard and allowed central banks a certain amount of latitude in maintaining it. Quarterly statements of financial position showing incomings and outgoings, assets and liabilities, commitments and investments are prepared and submitted to Government, through the Registrar, once every quarter, and copies are also supplied to the provincial bank. In addition, the central banks furnish quarterly statements of liabilities and of fluid resource provision against these in a form prescribed by the provincial bank ; and both the Registrar and the Provincial Bank communicate their comments and suggestions to the banks concerned. Cover is to be provided to the minimum extent of 60 per cent. of the balances in current accounts, 50 per cent. of the balances in savings bank accounts and one-third of the undrawn cash credits as well as the fixed deposits maturing in the next quarter. The provision by way of fluid resource may consist of cash on hand and in banks and holdings in Government securities and deposits with banks, provided overdrafts or guaranteed cash credits have been arranged, against the latter two items.

SUPERVISION AND INSPECTION BY CENTRAL BANKS. The model bye-laws of central banks provide for their undertaking the inspection of affiliated societies, and their objects include the supervision of societies and the assessment of their credits. The position of central banks in this respect is slightly different from that of central banks under the German co-operative credit system. A majority of the primary societies in Germany have resources ordinarily ample enough for their normal needs, while almost all of them are federated into local unions for supervision and control. In this Presidency, as in other parts of the country, the bulk of the resources of primary societies are derived from the central banks themselves and a sound system of unions has still to be developed. Every financing agency has the right



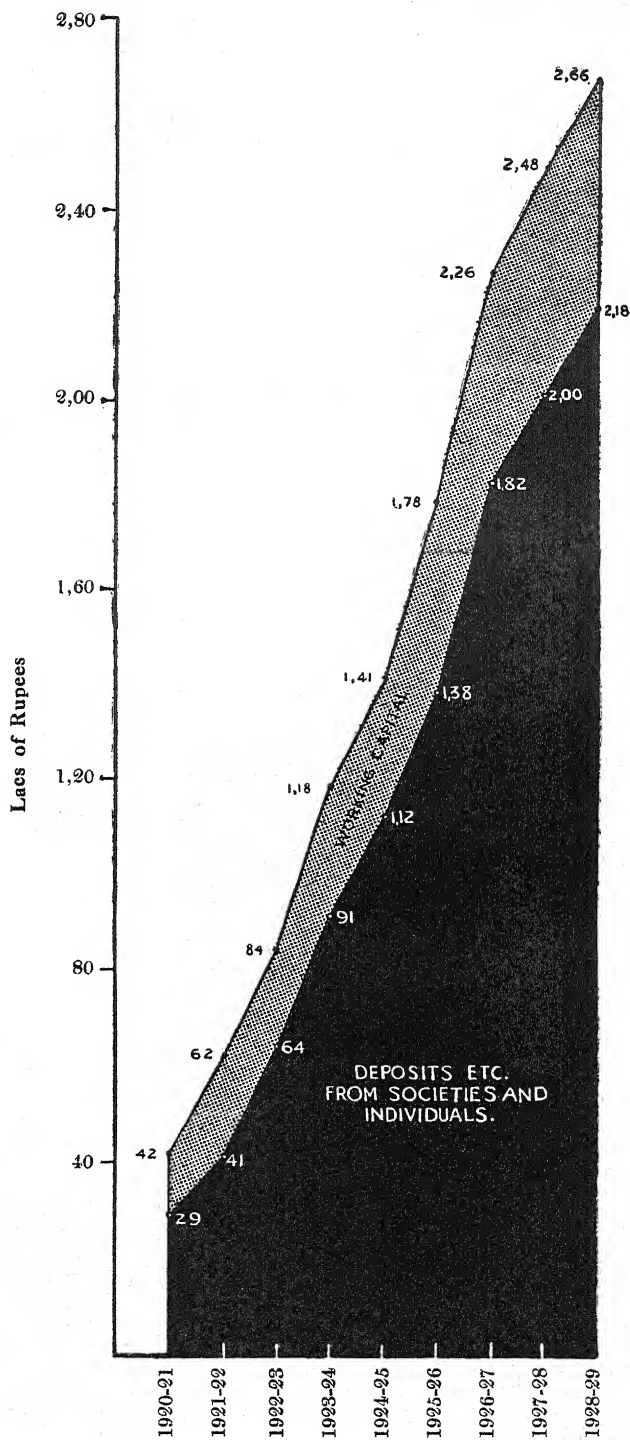
Percentage of the Cost of Management (black) and of the Profits (shaded) to the total Working Capital in case of District Central Banks, 1928-29.

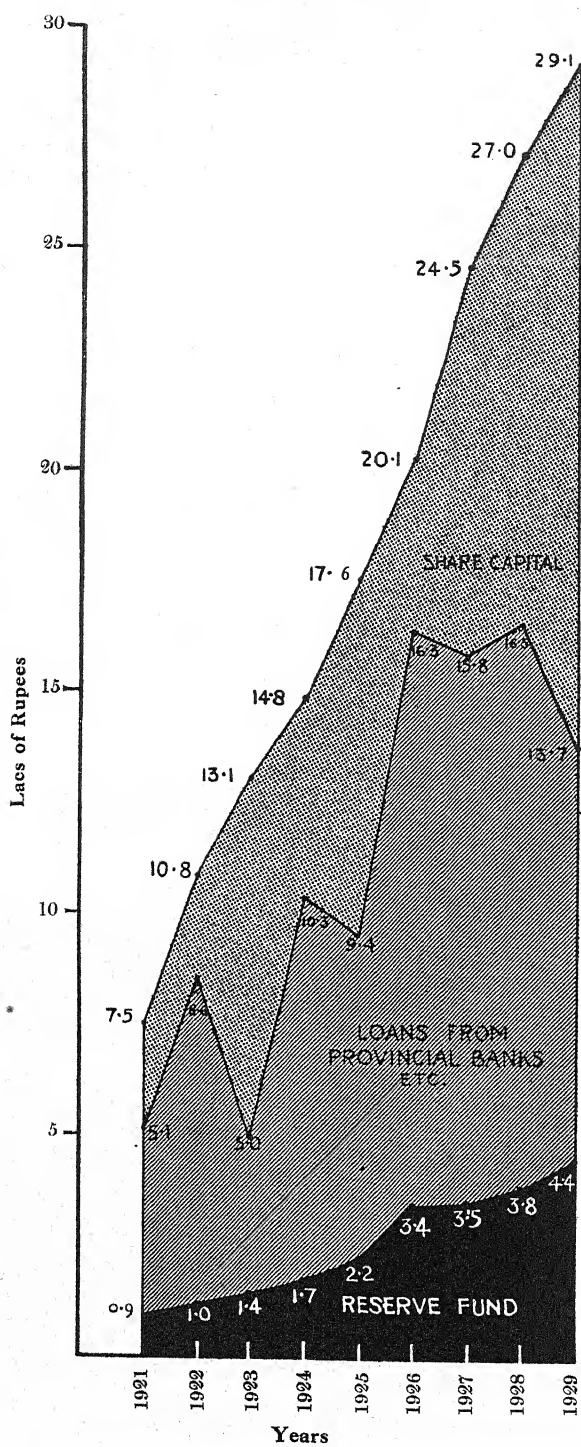
to look after its financial interests, and central banks are perfectly entitled to maintain their own inspecting staff to inquire into applications for financial assistance, to assess the credits of societies, to scrutinize demands for postponements and extensions, and to assist in the recoveries of their dues. The bye-laws of central banks provide, in addition, for the convening of special general meetings of affiliated societies to consider suggestion from the banks and the adoption of measures proposed by the latter for the removal of defects. In the absence of unions and until unions, even where in existence, function properly, it has also been found necessary for the inspecting staff of central banks to conduct a sort of primary audit of the accounts of affiliated societies, to check the statements of normal credits and watch the proper application of loans, as also to stimulate recoveries and propose action against defaulters. It is difficult to say at present where the duties of a supervisor end and those of an inspector begin or where they overlap ; but as the system of unions develops, there will be little difficulty in differentiating the functions of financial inspection from the functions of mutual supervision and control. The organization of new societies, general propaganda and education, and the training of committees and office-bearers in the principles and practice of co-operation do not really form part of the duties of inspectors of banks, but these have in some areas to be undertaken in the absence of other agencies in the field. In view of the multifarious nature of the duties of these officers and the changing views about their responsibilities, it has so far been found difficult properly to define their duties and to lay down a suitable course of training or to prescribe minimum qualifications. But both these matters have now engaged the attention of the apex bank and the Provincial Co-operative Institute and the constitution of district boards to guide and systematize the work of supervising unions will also have a similar influence in clarifying the ideas of co-operators on the subject. It may be noted here, in passing, that along with the provincial bank, several central banks have agreed to make grants to supervising unions, on the recommendation of these boards, to develop the local machinery for mutual supervision and control.

DEVELOPMENT OF BRANCHES. Where central banks open branches of their own, the general management is controlled by the central office at the district headquarters, under whose orders, the agents in charge conduct their work ; but a few banks have associated local committees with the working of the

branches and these are invested with certain powers including, in one instance, the sanction of loans for small amounts. The branches submit regular returns to the central office and almost invariably have accounts with the apex bank to facilitate remittance of funds for exchange transactions or other purposes. The central banks, have, as a rule, their own local auditors, but they are all subject to the annual audit of the Co-operative Department conducted through its staff of special auditors. In the earlier stages of their existence, they were being regularly inspected on behalf of the Provincial Bank, but now as their working has been more or less systematized this kind of regular inspection has been withdrawn, and the only inspection they are now subjected to is that of the Assistant Registrar in charge or the Registrar. The Provincial Bank has no affiliation rules providing for such inspection, the only rule it has on the subject being in respect of the right of representation on its own board of directors. The vote is granted only to those central banks which have taken up shares in the Provincial Bank to the extent of one-tenth of their own paid-up share capital. Central banks have four seats on the directorate of the Provincial Bank, one for each of the four linguistic divisions of the Presidency. It may be added here that though central banks in Sind enjoy this representation on the directorate of the Provincial Bank in Bombay, they have no financial relations with it, except in respect of advances under the co-operative societies' Land Improvement Loans Rules; and their apex bank for all practical purposes consequently is the Sind Central Bank at Karachi.

REVIEW. Although the system of central banks in the Presidency has passed the formative stage of its growth, it would be rash to pronounce that this is the final stage in its evolution. The policy of opening branches in taluka towns and other important centres of rural trade and industry has still to be extended very widely, and the machinery for assessment of credit and supply of funds so developed as to make prompt and adequate finance for agriculturists a reality rather than a distant ideal. The granting of credits, instead of fixed loans, their revision every year, the sanctioning of special limits for individuals with larger agricultural holdings, and the continuance of financial relations on a cautious and restricted scale even amidst adverse circumstances are all factors which will serve to popularize co-operative banking in rural areas and thus extend the scope for business within the movement





itself. Where central banks fail to work up towards this ideal, they may have to be replaced by banking unions for compact, intensively developed areas. The banks will have to develop inland exchange business without depending on any assistance from the State for transfer of funds, although they may well claim some facilities in view of the fact that they would be serving areas not likely to be covered by branches of the Imperial Bank of India, much less of the smaller capitalist banks. Another line of development will be the financing of urban trade through local urban banks and of the marketing of agricultural produce through purchase and sale societies or unions as well as their own branches and local societies. It is only when a comprehensive programme of development is embarked upon on the lines indicated that central banks will be able to utilize, in the best interests of the co-operative movement, the large funds they have succeeded in attracting to themselves by reason of their good and cautious management and of the credit afforded by the ultimate soundness of their investments. Unless they now adopt a bold and vigorous policy a state of stagnation may set in; and stagnation if not countered in time by forces making for growth and progress may bring in its train deterioration and ultimate decay.

APPENDIX—I.

Growth in Resources of Central Banks, 1920-21 to 1928-29 (in 000's Rupees).

Year	Share capital	Reserves	Deposits (and loans) from Individuals and Societies	Loans (and deposits) from Provincial or Central Bank	Total working capital
1920-21	7,54	88	28,58	5,10	42,10
1921-22	10,76	1,01	41,20	8,55	61,52
1922-23	13,09	1,35	64,36	4,99	83,79
1923-24	14,76	1,71	90,98	10,32	1,17,77
1924-25	17,59	2,19	1,11,76	9,41	1,40,95
1925-26	20,52	3,38	1,38,17	16,34	1,78,41
1926-27	24,54	3,52	1,82,27	15,82	2,26,15
1927-28	27,04	3,78	2,00,16	16,54	2,47,52
1928-29	29,05	4,42	2,18,42	13,69	2,65,58

APPENDIX—II.

Operations of District Central Banks for the year 1928-29.

Name	Number of Members		Share Capital 000's	Reserve Fund 000's	Loans and Deposits from			Total Working Capital 000's	Loans due by			PROFITS 000's	Percentage of cost of management to working capital	AUDIT CLASSIFICATION
	Individuals	Societies			Individuals 000's	Societies 000's	Provincial or Central Banks 000's		Individuals 000's	Societies 000's	Total 000's			
1. GUJARAT														
SURAT	890	194	1,89	34	15,67	1,38	—	19,30	86	6,81	7,67	34	.89	A
BROACH	948	193	2,09	36	10,08	79	2,20	15,52	3	13,42	13,45	26	.91	A
KAIRA	32	137	59	7	1,14	48	1,98	4,26	—	4,01	4,01	8	1.13	B
AHMEDABAD	—	57	19	1	62	2,37	—	3,20	—	1,73	1,73	4	1.32	A
<i>Total:</i>	1,270	581	4,76	78	27,51	5,02	4,18	42,28	89	25,97	26,86	72		
Average per District	318	145	1,19	20	6,88	1,26	1,05	10,57	22	6,49	6,72	18	1.06	
2. MAHARASHTRA														
POONA	1,585	195	2,62	38	22,43	2,17	—	27,60	43	11,51	11,94	31	1.56	A
SHOLAPUR	184	134	56	12	6,60	67	8	8,00	—	2,53	2,53	9	.63	B
BARSI	587	42	60	27	4,04	—	—	4,91	1,18	26	1,44	9	.84	A
<i>Total:</i>	2,356	371	3,78	77	33,07	2,84	8	40,51	1,61	14,30	15,91	49		
Average per District	785	124	1,26	26	11,02	95	3	13,50	54	4,77	5,30	16	1.01	
3. KHANDESH														
EAST KHANDESH	333	513	4,47	75	22,19	4,17	10	31,68	—	26,71	26,71	57	.85	B
NASIK	297	168	44	6	4,76	—	1,38	6,64	20	5,05	5,25	5	1.14	C
<i>Total:</i>	630	681	4,91	81	26,95	4,17	1,48	38,32	20	31,76	31,96	62		
Average per District	315	341	2,46	41	13,48	2,09	74	19,16	10	15,88	15,98	31	1.00	

4. KARNATAK	290	557	4,29	64	26,03	3,11	96	35,03	1,99	23,74	25,73	60	.89	B
KARNATAK CENTRAL	310	209	1,74	25	9,26	64	72	13,11	12	11,45	11,57	31	.78	B
BELGAUM	237	196	1,05	19	8,02	51	12	9,90	—	6,41	6,41	12	.96	B
BIJAPUR	41	101	42	7	2,53	68	7	3,78	—	1,44	1,44	4	.74	A
KANARA	878	1,063	7,50	1,05	45,84	4,94	1,87	61,82	2,11	43,04	45,15	1,07		
<i>Total:</i>	220	261	1,88	26	11,46	1,24	47	15,46	53	10,76	11,28	28	.84	
Average per District														
5. SIND	151	420	2,71	42	22,84	4,98	3,81	34,76	11	13,67	13,78	39	.74	A
SIND CENTRAL	76	116	72	8	4,52	—	4	5,36	—	4,59	4,59	4	1.36	A
NAWABSHAH	325	197	1,64	21	9,97	3,06	1	14,89	14	7,66	7,80	21	.66	A
LARKHANA	127	196	1,52	10	10,76	1,16	5	13,59	—	7,12	7,12	18	1.00	A
HYDERABAD	154	95	58	4	5,75	7	26	6,70	3	3,65	3,68	9	.98	A
SUKKUR	201	104	97	4	3,98	46	1,91	7,35	—	5,84	5,84	8	.96	A
THAR AND PARKAR	1,034	1,128	8,14	89	57,82	9,73	6,08	82,65	28	42,53	42,81	99		
<i>Total:</i>	172	188	1,35	15	9,64	1,62	1,01	13,78	5	7,09	7,13	17	.95	
Average per District	6,168	3,824	29,09	4,30	1,91,19	26,70	13,69	2,65,58	5,09	1,57,60	1,62,69	3,89		
<i>Grand Total</i>	325	201	1,53	23	10,06	1,41	72	13,45	27	8,30	8,56	21	.97	
Average per District														

CHAPTER III.

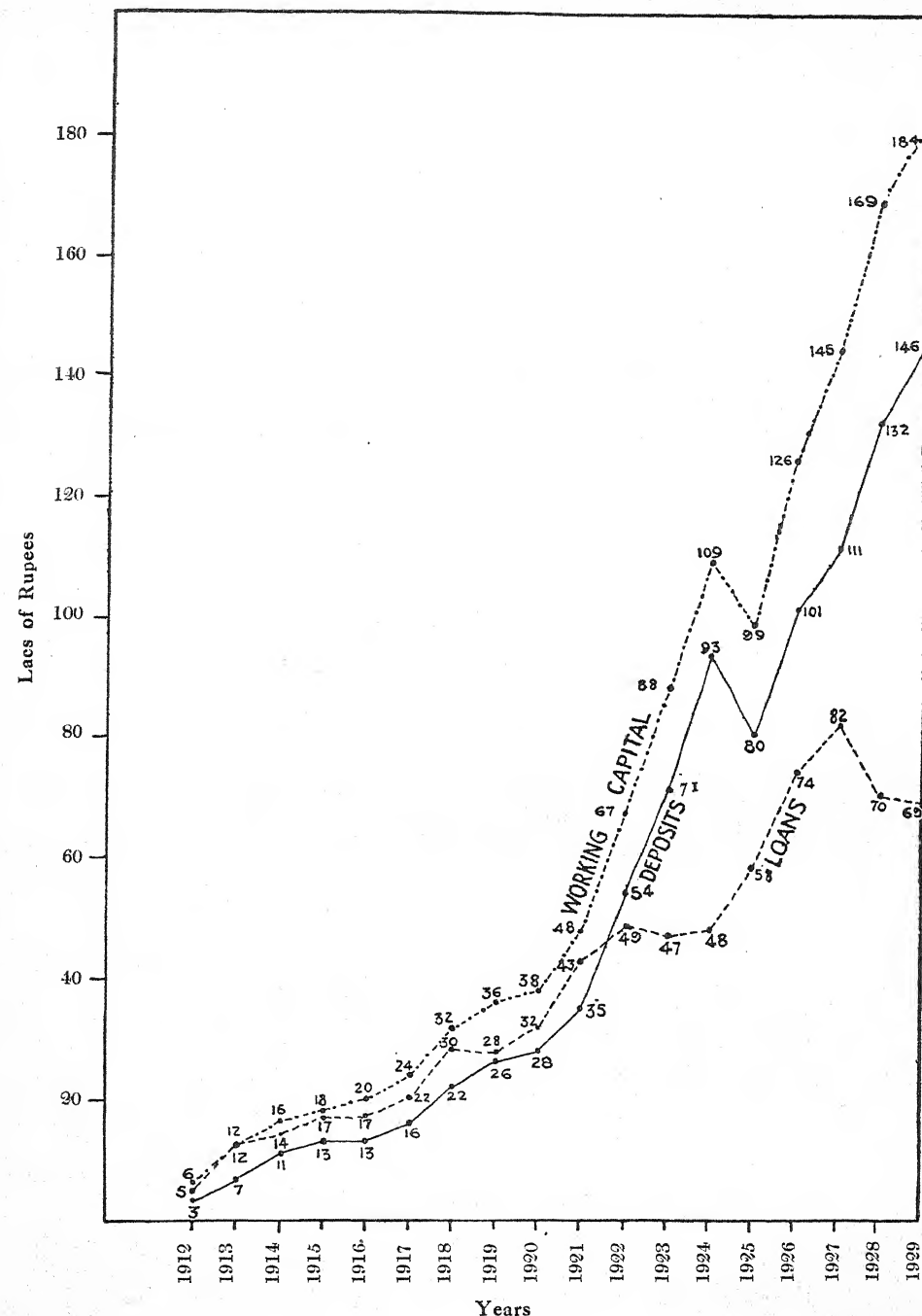
THE PROVINCIAL CO-OPERATIVE BANK BOMBAY

BY

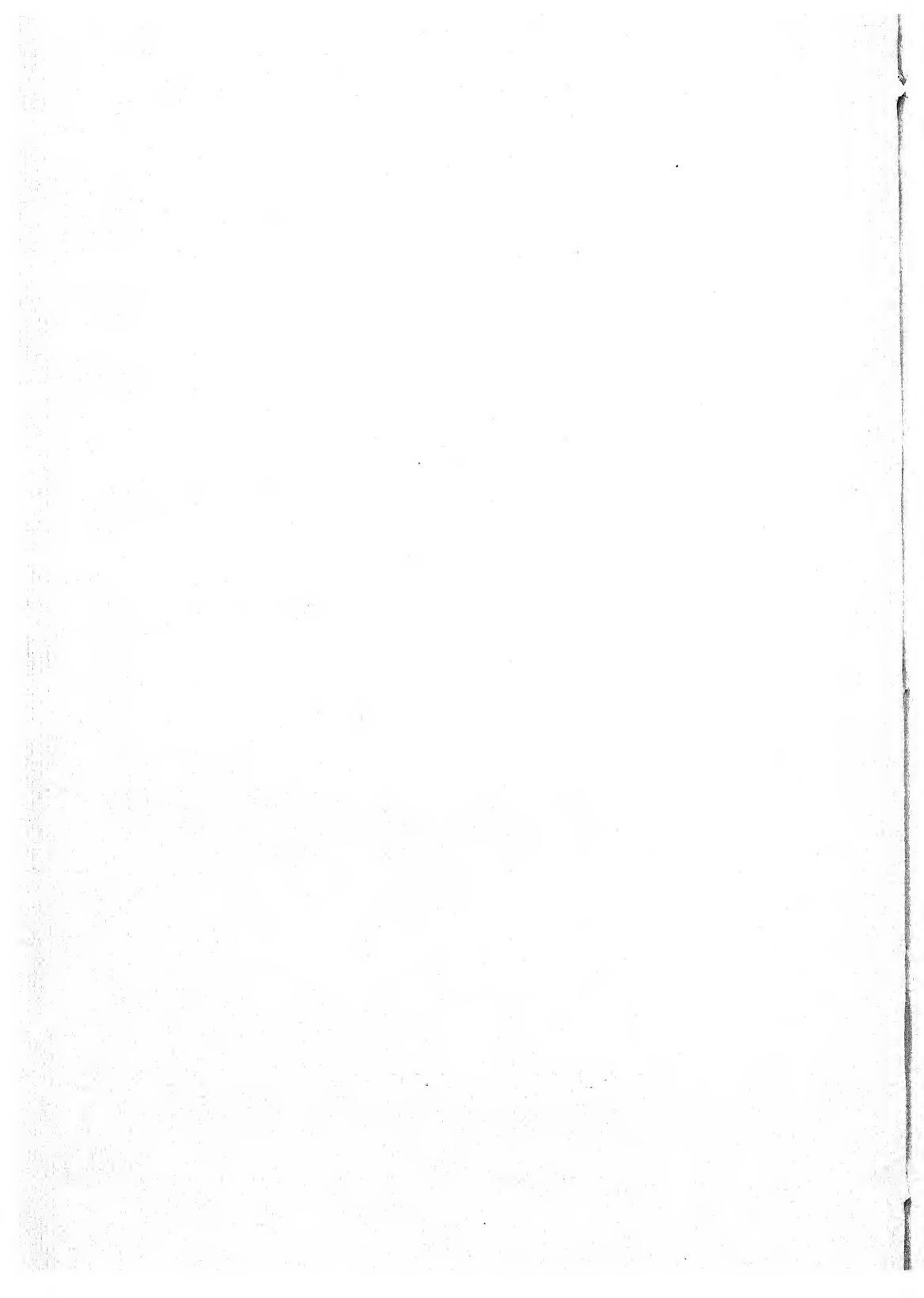
Mr. V. M. THAKORE, B. COM.,

Managing Director, Behar and Orissa Provincial Co-operative Bank, Patna.

Functions of a Provincial Bank. Origin and Registration of the Provincial Co-operative Bank, Bombay. The Agreement. Aims and Objects. Constitution. Branch Banking. Amalgamation with Thana Bank. Transfer of Societies of Ahmednagar Central Bank. Share Capital. Debentures Deposits. Savings Bank Deposits. Current Deposit Accounts. Agency Business. Funds. Growth of Working Capital. Restrictions on Loans and Investments of the Bank. Overdrafts. Trade Bills and Banker's Bills. Cash Credits. Maximum Credits. (1) Central Banks, (2) Primary Societies. Loans: Rate of Interest. Period of Loans. Long-term Loans. Tagavi Loans. Land Improvement and Purchase of Agricultural Machinery. Redemption of Debt. Disbursement and Return of Loans. Recoveries and Extensions. Other Investments. Agricultural Purchase and Sale. Inland Exchange. Relations with Central and Urban Banks. Inspection of Societies. Expenditure on Propaganda. Profit and its Distribution. Rebate. Audit. Position in Co-operative Banking Organisation. Centralisation of Finance.



Progress chart of the Provincial Co-operative Bank, Bombay, 1912 to 1929.



CHAPTER III.

THE PROVINCIAL CO-OPERATIVE BANK BOMBAY

FUNCTIONS OF A PROVINCIAL BANK. In chapter IV of their Report the Maclagan Committee on Co-operation in India expresses the view that the co-operative edifice in each Province should ordinarily consist of Primary Societies federated into Unions when local conditions permit of the introduction of the Union system, and these Primary Societies, whether federated into Unions or not, should be financed and supervised by Central Banks covering an area and serving a number of Societies which are not too large to permit of efficient supervision and are yet sufficiently large to enable the Bank to employ a reasonable amount of working capital. "The extent of the supervisory duties of the Central Bank would of course vary," the Committee remark, "according to the existence or non-existence in the Province of a Union system and the efficiency of that system where it existed. Although this edifice affords adequate additional assistance to the Registrar in the matter of supervision and audit of Primary Societies, it is by no means complete as regards finance. In the absence of an apex controlling institution Central Banks have to make such arrangements as they can, either by circularising each other or through the Registrar to lend out their surplus funds or to borrow to meet their needs. This system is inefficient and uneconomical when the work is done by the Central Banks themselves and, if it is carried out by the Registrar, entails a substantial addition to his already onerous duties. Moreover, uncontrolled inter-lending among Central Banks involves an interlocking of liabilities which may well lead to trouble. In some Provinces too, the Central Banks are unable unaided to secure locally sufficient funds to meet their needs, and these can best be provided by a Bank capable of attracting deposits from the richer urban classes and more suitably equipped to serve as a channel between the co-operative movement and Presidency or Joint Stock Banks. It is, therefore, in our opinion necessary to provide in each of the major Provinces an apex bank which will co-ordinate and control the

working of Central Banks, forecast and arrange for the provincial requirements as a whole, and be the financial co-operative centre of the Province.

An apex bank of this nature should have as its express object the direction of provincial finance by the control and support of Central Banks. Central Banks should be prohibited from dealing with each other or with Presidency or Joint Stock Banks except through its medium, while it should itself be obliged to confine its dealings with co-operative institutions to Central Banks and leave to them the work of dealing with Societies."

The Committee on Co-operation in India have described the duties of an ideal Provincial Bank in a perfect co-operative system. A Provincial Bank of the type described will be possible only if its organisation was posterior to that of the Central Banks developed in a perfectly co-operative financial edifice. Primary Credit Societies can multiply and develop only if the necessary financial support to meet the requirements of their members is forthcoming, and in the absence of Government support this can be achieved only if the central financing agencies are organised simultaneously with the societies. The structure of co-operative finance in actual practice must therefore fall short of the ideals aimed at, and details inconsistent with the principles of co-operative finance must be accepted in the hope that they may lead to better things in future. In the year 1911 when the present Provincial Bank was organised, the movement in the Bombay Presidency was not sufficiently advanced to permit of the creation of a truly co-operative Provincial Bank owned by the Central Banks and controlled by their representatives. The movement was in its infancy and there was only one Central Co-operative Bank in existence. Besides the vast extent of the Province, the general illiteracy and poverty of the population, lack of the knowledge of business methods and banking practices in rural areas, did not permit of the adoption in their entirety of the ideals of co-operative finance as they were then understood and followed.

ORIGIN AND REGISTRATION OF THE PROVINCIAL CO-OPERATIVE BANK. In the year 1910, the Hon'ble Sir Vithaldas Damodar Thackersey and the Hon'ble Mr. (now Sir) Lalubhai Samaldas, two public-spirited commercial magnates of the city of Bombay conceived the idea of an Urban Society with a view to provide long-term capital at moderate rates to the co-operative societies of the Presidency for meeting the

requirements of their members. The idea of a Bank of this kind originated from the experience gained in the Bombay Urban Co-operative Credit Society which was started in the year 1906 on the suggestion of Mr. Macneill, the first Registrar of Co-operative Credit Societies in the Presidency. All the available funds of that Society were readily taken up and the society had to reject several applications from village Societies owing to the fact that more advances could not be made without enlarging the basis of the Society. The need of sufficient capital to supply all the needs of members was keenly felt and successive Registrars of Co-operative Societies in the Bombay Presidency repeatedly expressed the opinion that their attempts to extend the movement were being greatly hampered by the absence of a regular means of attracting outside capital. Acting on these premises, the Hon'ble Sir Vithaldas Damodar Thackersey and the Hon'ble Mr. Lalubhai Samaldas drew up a scheme for a Central Bank which with a few modifications was adopted after protracted discussions, was finally approved by the Government of Bombay, and received the sanction of the Government of India and the Secretary of State. To give effect to the above scheme and as the result of an agreement entered into with the Secretary of State for India in Council by the promoters, Sir Vithaldas Damodar Thackersey and Sir Lalubhai Samaldas, the Bombay Central Co-operative Bank, Limited, came into existence. The Bank was registered in the year 1911 under the Co-operative Credit Societies Act of 1904, now replaced by the Bombay Co-operative Societies Act of 1925. With the organisation and development of Central Banks and owing to the Bank's gradually assuming the position of an apex Bank for the Presidency financing the co-operative movement through the local central banks where they existed, the name of the Bank was changed from the Bombay Central Co-operative Bank, Limited, to the Bombay Provincial Co-operative Bank, Limited, in the year 1924.

THE AGREEMENT. The Agreement entered into between the Secretary of State in Council and the Hon'ble Sir Vithaldas D. Thackersey and Sir Lalubhai Samaldas dated the 7th October 1911, was adopted by the Bank in the year 1911. It authorises the Bank to issue debentures carrying interest at 4 per cent. per annum of the value of three times its paid up share capital up to a maximum of 20 lacs. The interest is to be paid half-yearly by the Bank and is guaranteed by the Secretary of State for India in Council until repayment of the debentures which is provided to

take place not later than 41 years from the date of issue. Under the agreement the Bank is required to provide a sinking fund from the date of the first issue of the Debentures at the rate of 1 per cent. or 2 per cent. of the amount of debentures remaining unpaid according as the average rate of interest charged by the Bank on advances to co-operative credit societies during the year is 7 per cent. or 8 per cent., respectively. The agreement further provides that if any profits are available after declaration of a dividend of 6 per cent., they are to be divided equally between the shareholders and the borrowing societies.

AIMS AND OBJECTS. The object of the Bank is to finance registered co-operative societies in the Bombay Presidency raising the necessary funds in the money market. Besides the granting of advances, the Bank serves as an outlet for the surplus funds of Co-operative Societies and their investment within the movement, in Government and Trust Securities and with approved Commercial Banks. The Bank is the balancing centre of the co-operative movement in the Presidency and serves as a connecting link between the movement and the money market.

CONSTITUTION. "It is in our opinion essential," remark the Committee on Co-operation, "that co-operative institutions should be represented in Provincial Banks. It is not, however, necessary that they should from the beginning be vested with full control. Owing to their distance from the provincial centre, they cannot conveniently send representatives to attend every meeting. On the other hand, the individual men of business, who take shares, usually live at or near headquarters, and are therefore able to be present at meetings regularly. In addition to this, they form especially at first a very important element in the Bank, as they bring to its management the necessary commercial skill and ability without which it would be difficult to raise sufficient capital from the public. At the same time, it is obvious that the relations of the Provincial Bank to its constituency must be carefully defined for whatever system is adopted, no device can permanently prevent the ultimate divergence of the interests of the individuals, who supply funds and the societies which borrow them. Although, therefore, in starting a Provincial Bank we are not opposed to the concession of a preponderating influence to individual shareholders, representing the business element, we think that its constitution should be so framed as to give to affiliated co-operative

institutions an opportunity at no distant date of securing a majority of votes at the General meeting.

"If a Provincial Bank is so constituted, it is, we think, of comparatively small importance whether the co-operative element has a dominating voice on the Directorate or not. The management of a Provincial Bank requires more expert knowledge and experience than that of a Central Bank and it is permissible, and often desirable, that the management should be mainly in the hands of business men. The representatives of societies are seldom capable of taking an effective part in the management of a bank of this class. But though the detailed administration need not be constantly controlled by them, the ultimate decision as exercised at the general meeting, should under the bye-laws rest with them, and when they find that the Directors are mismanaging the Bank or exploiting co-operation for the advantage of the individual shareholders, the representatives of co-operative institutions should be in a position to intervene and to constitute the management."

The Bombay Provincial Co-operative Bank was originally started as a Bank consisting wholly of individual shareholders, the one exception being that of the Nagar Central Co-operative Bank. Since its inception the Bank is being converted gradually into an institution with an increasing number of societies as shareholders with a growing holding of shares accumulated by them. On the 31st March, 1929, the number of individual shareholders was 738 and of Society shareholders 1,375 including 18 Central Banks. The value of shares held by individuals on the date was Rs. 8,25,600 and of Societies Rs. 4,48,750 including Rs. 3,09,200 held by Central Banks. The representation of co-operative interests on the Board dates back to the time when the Bank was floated; the Raje Saheb of Malegaon, for years Chairman of the Malegaon Budruk Co-operative Credit Society and now Chairman of the Bhimthadi Supervising Union being one of the original promoters. Another representative of co-operative institutions was taken up, as a Director in the year 1915, in the person of Mr. G. K. Devadhar, C.I.E., now President of the Servants of India Society, who had started a group of societies near Poona in the early days of the movement and was also intimately connected with the organisation of welfare societies in the mill area of the city of Bombay. The extent of representation of co-operative interest went on increasing till in 1922 it was decided that Central Banks should be definitely represented on the Board by four Directors.

In 1924, a proposal was made at the Central Banks' Conference for the year that the representation of Central Banks should be by direct election and that the Board should contain, in addition, two representatives of agricultural primary societies financed by the Bank and one Director to represent urban banks. Originally, when the representation of co-operative interests was confined to two Directors, the number of Directors on the Board of the Bank was nine. With the increase in the representation of co-operative interests to seven, including four representatives of Central Banks, two of Primary Societies and one of Urban Banks, the number of Directors on the Board was increased to fourteen in the year 1926. A Committee appointed by the Central Banks' Conference in the year 1925 to draft a detailed scheme for the direct representation of co-operative interests recommended certain rules for the election of Directors which were accepted by the Board and incorporated in the bye-laws of the Bank at a special General Meeting convened for the purpose in January 1926. The rules under bye-law No. 69 A, regarding representation provide for the grouping of Central Banks according to four linguistic divisions for the nomination of candidates. The voting is on the basis of the Presidency as a whole. Both for Central and Urban Banks, the voting is restricted to institutions which have invested one-tenth of their own share capital in the shares of the Bank. For the two seats reserved for the representatives of Primary Societies direct representation was not found practicable. It was, therefore, decided to fill in the two seats by an election conducted at the General meeting, though the Board consult the societies concerned through the Branch Committees and Inspectors of the Bank.

BRANCH BANKING. A unique feature of the Bombay Provincial Co-operative Bank is its system of directly financing primary societies through its branches situated in convenient centres. The prevailing idea about central financing agencies in the Presidency was to have one Central Bank for each revenue district, but this system does not admit of any very intimate touch between the borrowers and lenders which is essential in co-operative finance. Central Banks with smaller areas are more fitted to perform this function and to provide adequate and timely financial assistance to the affiliated societies. The question of starting Taluka Banks or restricting the spheres of the existing Central Banks was discussed several times, but no scheme acceptable to all concerned could be found. Besides, although there was in-

tensive growth of primary societies in some areas of the Presidency, local conditions were not found favourable to the establishment of Central Banks as the necessary personnel and capital were not forthcoming. The question of adequate and timely financing and supervision of such societies could not be postponed till the conditions grew favourable to the establishment of a local Central Bank and therefore branches of the Provincial Bank were originally opened in such areas. The first branch was opened at Baramati in Poona District, soon after the opening of the Bank in the year 1911. This was followed by another branch at Kopergaon in Ahmednagar District in the year 1917. In 1920 a third branch was opened at Islampur. Two more branches were opened at Dhulia in West Khandesh District and Dohad in Panchmahal District in the year 1922; this was followed by two branches at Belapur in Ahmednagar District and Nira in Poona District in the year 1923. In the year 1924 three branches were opened at Malegaon, Dondaicha and Parola in the districts of Nasik, West Khandesh and East Khandesh respectively. From the year 1924 the programme of the Bank appears to have been to open three new branches in one year. In the year 1925 three branches were opened at Karad, Kalol and Shirpur in the districts of Satara, Panchmahals and West Khandesh. This was followed by three more branches in the year 1926 at Tasgaon in Satara District, at Akulj in Sholapur District and Shahada in West Khandesh District. The last three branches were opened at Koregaon in Satara District, Nandurbar in the West Khandesh District and Sutana in Nasik District in the year 1927. At the end of the year, the Bank had nineteen branches serving eight districts.

All the branches with the exception of one, are more or less self-supporting; the only branch which is not expected to be self-supporting for some years to come is the one at Dohad which serves societies started among the Bhil population in the eastern part of the Panchmahals District. General meetings are annually held at all the branches and they are usually well attended. Each branch has a local Advisory Committee of the representatives of the affiliated societies whose function is to advise the Board of the Bank with regard to the administration of the branch under their guidance. The elections of the members of the Advisory Committee takes place at the General meeting of the branches which are held once a year and where, in addition to the formal work, problems of development, changes in policy, and other matters of interest are discussed. The branches stimulate intensive

co-operative development in the areas they serve and help in the organisation of arrangements for prompt and adequate finance and the training of office-bearers of societies in their charge. As stated in the objects of the Bank, it finances primary societies all over the Presidency, except in Sind, and close connections are established with them through its branches. The aim of the Board is not to finance, direct, any primary society except in an area covered by a branch of the Bank, because when a branch is opened business transactions are carried on in person thus ensuring mutual knowledge. The only areas under the Bank still unserved by the branches are the three Konkan districts of Thana, Kolaba and Ratnagiri. Another area without a branch is the Igatpuri Taluka of the Nasik district which is far removed from the area under the Malegaon Branch. In Ahmedabad, three Talukas which lie without the jurisdiction of the local banking Union are also being financed by the Bank without a branch. In addition, there are several scattered societies in the districts of Dharwar and Ahmednagar and the Talukas of Dhandhuka and Ghogha in Ahmedabad District, which are without a branch. Finance in Dharwar has been transferred to the Dharwar District Central Bank. A branch has recently been opened in the Ahmednagar District and a branch is projected at Viramgam for that part of the Ahmedabad District which is financed by the Bank. The opening of branches means expense and unless there are prospects of a branch being self-supporting in the near future, it is not considered advisable to open one.

AMALGAMATION WITH THANA BANK. Till the year 1925, branches of the Bank were started in areas situated outside the jurisdiction of the existing Central Banks or in areas within the jurisdiction of the existing Central Banks, where the bulk of societies were federated into Guaranteeing Unions which were till then directly financed by the Bank. A departure from the accepted policy had to be made in the year 1925 when a proposal was received from the Thana District Central Co-operative Bank, Limited for its amalgamation with the Bank. Owing to the peculiar condition of the tract served by the Central Bank, it could not expand its business with the Societies and the resources at its disposal remained very limited. With limited resources and business, the Central Bank could not incur expenses on propaganda, training and supervision and owing to geographical difficulties it could not attract a sufficient number of workers from all parts

of the district. Therefore, in the year 1925 with the approval of the Registrar, the Central Bank was formally amalgamated with the Provincial Bank by a transfer of its existing liabilities and assets and conversion of its shares at par in the shares of the Provincial Bank.

TRANSFER OF SOCIETIES OF AHMEDNAGAR CENTRAL BANK. The Districts of Poona, Satara, Bijapur, Sholapur and Ahmednagar in the Presidency of Bombay are situated to the east of the Western Ghats and are liable to recurring famines. From official records it appears that 50 per cent. of the area covered by these five districts is very liable to famine, 34 per cent. only a little less liable and only 16 per cent. is more or less totally immune. Out of the four Central Banks functioning in these five districts viz. at Poona, Ahmednagar, Sholapur and Bijapur, the Central Bank at Ahmednagar which was financing both societies and individuals in its area decided in the year 1927 to restrict its business to the financing of individuals only and entrusted the work of financing the Societies in the dry parts of the Ahmednagar District to the Provincial Bank.

SHARE CAPITAL. The Bank was started in the year 1911 with a capital of Rs. 7,00,000 divided into 14,000 shares of Rs. 50/- each. The whole issue was fully subscribed mainly by individuals at the commencement and within six years of its inception the authorised capital of the Bank was fully paid up. Under the Bombay Co-operative Societies Rules a registered society with limited liability cannot incur outside liabilities in excess of eight times its paid up share capital and reserve fund, and this limit of borrowing was practically reached by the Bank in the year 1923. With the further expansion in the business of the Bank, it became necessary to increase the borrowed capital which could not be done unless the share capital of the Bank was increased. It was therefore decided at an extraordinary General Meeting of the Bank held on 16th June, 1923 to raise an additional share capital to the extent of Rs. 3,00,000 by the issue of 6,000 new shares of the value of Rs. 50/- each. At the time this additional share capital was issued the shares of the Bank were sold in the market at a premium of about Rs. 4/- per share. The Board of Directors, therefore, resolved to give preference in the matter of subscription to the original shareholders of the Bank agreeing to allot one share for every three shares held by each. Till the date of this fresh issue,

the Bank assisted registered Societies desirous of obtaining shares by placing them in touch with the market or buying shares from them at the prevailing market rate against the actual orders received. At the time of this additional issue of shares it was decided by the Board of Directors that in future all registered Societies borrowing from the Bank should become its members by subscribing at least one share and to reserve the requisite number of shares for those Societies and Central Banks which did not already hold shares in the Bank. This additional issue of 6,000 shares of Rs. 50/- each, was fully subscribed by the middle of the year 1927, when it was decided at an extraordinary General meeting of the Bank held on the 15th June, 1927, further again to increase the share capital of the Bank from Rs. 10,00,000/- to Rs. 15,00,000/- by the increase of 10,000 additional shares of Rs. 50/- each. Against the authorised increase of 10,000 shares, the Directors decided to issue only 6,000 shares of which 1,000 were reserved for Primary Societies for the purpose of affiliation. The remaining 5,000 shares were offered to, and taken up by members, Central Banks, and Urban Banks. As the market price of the original shares of the Bank was in the vicinity of Rs. 65/- per share on the date of issue, the new shares were issued at a premium of Rs. 10/- per share. Within one year of the date of issue 5,292 shares out of 6,000 issued were subscribed and paid up, raising the fully paid up share capital of the Bank to Rs. 12,64,600/- on 31st March 1928. The premium of Rs. 52,920/- received by the issue of 5,292 new shares is added to the Reserve Fund of the Bank. The shares are transferable on payment of a fee of 2 annas per share.

DEBENTURES. Under the Agreement with Government, the Bank is authorised to issue debentures up to an amount of three times its paid up share capital subject to a maximum of Rs. 20,00,000/-. The debentures are in the form of bearer bonds each of Rs. 1,000/- and bear interest at 4 per cent. payable half-yearly. The payment of interest on the debentures until redemption is guaranteed by the Secretary of State for India in Council. The debentures rank as trustee securities under the Indian Trusts (Amendment) Act XXI of 1917. They are repayable in a minimum period of 28 years and a maximum of 42 years. To provide for their redemption, the Bank has to contribute out of its profits annually, before declaration of any dividend, a sum equal to one or two per cent. of the debentures subscribed in accordance with

the rate of seven or less and eight per cent. respectively charged by it, on its loans to Societies.

The debentures of Rs. 6,30,000/- were issued and first put on the market one year after its inception when the paid up share capital of the Bank was Rs. 2,10,000/-. The market conditions at the time of issue were very favourable to the floating of these debentures and within two years 615 debentures of Rs. 6,15,000/- were sold at a premium of Rs. 5,720. In the year 1914 due to the outbreak of the Great War, the money market was disturbed, but a further series of 420 debentures of the value of Rs. 4,20,000/- were issued by the Bank. The new series of debentures due to the disturbed conditions of the money market during and after the War, was put on the market at par. The guaranteed interest of 4 per cent. with income tax on the debentures was obviously far below the interest, free of income tax, allowed by Government on the series of short and long-term War loans floated by Government, with the consequence that no debentures of the new series could be sold in the market. Out of the authorised debentures of Rs. 20,00,000/-, the amount of debentures issued up to date is Rs. 10,50,000/- and of debentures subscribed is Rs. 7,80,000/- of which 1,51,000/- represent debentures purchased out of the sinking fund. The sinking fund for these debentures built up out of the profits of the Bank now amounts to Rs. 3,39,124/-.

Until it is possible to place the debentures on the market at par it is not proposed to issue any further debentures under the scheme. The scheme of 4 per cent. debentures has served its purpose partially in stabilising the finances of the Bank, and meeting its requirements for debt redemption.

DEPOSITS. The Committee on Co-operation remark in its Report that "Provincial Banks will no doubt have occasion more frequently than Central Banks to raise short-term deposits to meet particular needs but as in the case of Central Banks, efforts should usually be made to obtain deposits, fixed for the longest possible terms. The money is required for loans to Central Banks and it would only embarrass them if it was granted for shorter terms than were required by the Societies borrowing from them."

The Bank is at liberty to receive deposits from members or other individuals or from co-operative societies to the extent of eight times its paid up share capital and reserve fund as its Board may think fit, provided that the Bank maintains in cash and Go-

vernment and Trust securities an amount equal to 40 per cent. of the deposits payable on demand.

Fixed deposits for 3, 6 or 12 months and for longer periods are accepted at rates which vary in accordance with the market conditions and the need of the Bank. The rates for 6 months' and 12 months' deposits fluctuate at present between 4 per cent. and $4\frac{1}{2}$ per cent., according to amounts and seasons while rates on deposits for shorter periods vary from month to month according to market conditions. Deposits are also accepted on notice varying from 3 days to 3 months. Co-operative Societies are allowed preference in regard to deposits and preferential terms are invariably quoted to them. The fluctuations in rates are communicated by the Bank from time to time to lending Societies and Banks in touch with the money market, in accordance with the movements of which the Banks' rates are regulated.

No special efforts are made to raise deposits either by canvassing or by advertisement, and the deposits held by the Bank now are from persons and institutions connected directly or indirectly with the Movement. The Bank receives deposits from Local Boards and Municipalities.

The Bank has obtained the required long-term capital by the issue of debentures and shares and owing to the special conditions in Bombay mainly relies on short-term deposits for the requirements of its societies.

Overdrafts against fixed deposits are allowed to co-operative societies and banks but not to individuals. The grant of this facility induces societies and banks to deposit funds for fixed periods and obtain overdrafts when necessary.

SAVINGS BANK DEPOSITS. Savings Bank accounts can be opened by individuals as well as co-operative societies. The smallest sum that may be deposited at one time is one rupee. Interest is calculated on the lowest monthly balance of each account between the 6th and the last business day of each calendar month up to but not exceeding Rs. 5,000/- at the rate of 4 per cent. per annum and credited to the account at the end of March on the date of the annual closing of accounts of the Bank.

CURRENT DEPOSIT ACCOUNTS. Current accounts are opened for individuals and co-operative societies at the Head Office. Interest at $2\frac{1}{2}$ per cent. per annum payable half-yearly is allowed on daily balances from Rs. 100/- to Rs. 25,000/- and at

2 per cent. on balances above Rs. 25,000. Cheques, dividend warrants and hundies are accepted for collection and credit of the accounts and only actual charges are recovered from the constituents. The current accounts are to be operated by cheques, the printed forms for which are supplied by the Bank free of charge. To mofussil customers the additional facility is granted of drawing on their accounts by hundies.

The Branches are also permitted to open current accounts of Societies. As the Societies are generally indebted to the Bank they cannot be expected to have large balances in their current accounts. However, the volume of business in these accounts is growing and more accounts being operated upon and these too more frequently. Transfers from loans to current accounts for a week's requirements to be drawn by means of cheques favouring members are getting more and more popular. Current account business is being popularised by the issue of vernacular cheque forms, the drawing, signing and endorsing of cheques in vernaculars, and at some branches, also by the observance of holidays and office hours to suit the convenience of customers.

AGENCY BUSINESS. The Bank undertakes agency business on behalf of its constituents. It accepts Government and other securities for safe custody for a fee subject to a maximum of Rs. 20/- per constituent. Sealed boxes are accepted for safe custody on payment of a fee of Rs. 10/- per box. The Bank collects interest and dividends on securities in custody on a charge of annas four per cent. on the realised amount. It undertakes to purchase and sell on behalf of its constituents Government and Trust Securities, debentures and shares in public companies on a charge of annas two per cent. on the amount paid on purchase, or received on sale.

FUNDS. In view of the agreement with the Secretary of State for India in Council the Bank has to maintain a sinking fund for the repayment of its debentures on maturity. The amount in the sinking fund for debentures on the 31st March, 1929, was Rs. 3,39,124/-. This obligation has made it necessary to exempt the Bank from the operation of Section 33 of the Act relating to the allocation of one-fourth of the profits to the Reserve Fund. The total amount in the Reserve Fund appropriated from profits and with additions made from the premium received on shares amounted to Rs. 5,64,053 on the 31st March, 1929. The Bank

has also built up a separate reserve for doubtful debts which amounted to Rs. 1,30,000/- on the 31st March, 1929.

GROWTH OF WORKING CAPITAL. In the year 1912, the Bank had a working capital of Rs. 6,22,000/- which increased to Rs. 24,21,000/- in the year 1917, to Rs. 66,59,000/- in the year 1922, to Rs. 1,69,53,000/- in the year 1928, and to Rs. 1,84,46,486 in 1929. On the 31st March 1928, the non-withdrawal and long-term capital of the Bank amounted to Rs. 30,89,000/- and the withdrawal and short-term capital to Rs. 1,38,62,000/-.

RESTRICTIONS ON LOANS AND INVESTMENTS OF THE BANK. The agreement with the Secretary of State for India provides that the funds of the Bank shall be utilised for the purpose of granting loans to Co-operative Credit Societies registered under the Act when such loans are approved or recommended by the Registrar, Co-operative Societies, under the said Act. In practice, the Bank finances Co-operative Societies in the Province of Bombay on the recommendation of the Registrar, Co-operative Societies, Bombay, but neither in the Agreement nor in its bye-laws is the area of operations of the Bank specifically restricted to the Bombay Presidency. The maximum interest to be charged on advances to Societies is restricted to 8 per cent. per annum by the agreement and the maximum period of each loan is restricted to 10 years from the date of the loan with the provision that the term of the loan can be extended for a further period of 10 years as the Bank may think proper. The Bank is permitted to invest its surplus funds, not required for the purpose of its business in such Banks and securities as the local Government may from time to time approve.

OVERDRAFTS. Overdrafts are granted within certain limits to all classes of Societies on the security of their fixed deposits with the Bank, at a rate of one per cent. above the rate paid on the deposits. Overdrafts at 1 per cent. over the Bank rate are also granted to Societies on the security of Government and other Trustee securities to the extent of 90 per cent. of their market value. Applications for overdrafts are addressed direct to the Bank and not through the Registrar of Co-operative Societies.

TRADE BILLS AND BANKER'S BILLS. Within such limits as may be recommended by the Registrar of Co-operative Societies and sanctioned by the Board, bills of Urban and

Central Banks are discounted by the Bank at a rate of discount not exceeding 8 per cent. Once the limits are sanctioned and the parties approved, bills are discounted up to the limit without further reference to the Registrar, Co-operative Societies.

CASH CREDITS. Cash Credits are granted to well-managed Co-operative Societies and Banks on their general assets, on Government Securities, or on the pro-notes of individual members of Urban Banks and of affiliated Societies in Central Banks. The rate of interest charged varies between 7 per cent. and 8 per cent. as determined by the Board. Interest on the accounts is payable half-yearly and may be payable by certain classes of Societies on half the amount of the credits even if undrawn. Such credits if not renewed, are repayable on the expiry of the period sanctioned, which in no case exceeds 12 months.

MAXIMUM CREDITS. (1) *Central Banks.* Maximum credits are granted to Central Banks at a rate about $\frac{3}{4}$ to 1 per cent. lower than that charged to primary Societies. The limits are fixed once a year by the Board on the recommendation of the Registrar for 12 months on the expiry of which period, the credits have either to be renewed or repaid. Drawings are allowed, in accordance with forecasts of monthly requirements to be submitted half-yearly in advance, on seven days' notice. Interest is charged half-yearly on actual drawings only on the cash credits. As collateral security, the demand pro-notes of primary societies in favour of Central Banks as re-endorsed by the latter in favour of the Bank are obtained.

(2) *Primary Societies.* To all agricultural credit societies in which the normal credits of individual members are fixed at a general meeting, maximum credits are sanctioned on the Registrar's recommendation after a proper scrutiny of the statements of credits and such other inquiry as the Bank may desire to institute. The credits are to be operated upon according to forecasts and after notice and are liable to suspension for mismanagement. Societies under the branches or lying in compact groups can secure this facility with greater promptitude than isolated societies, because they can be supervised and their affairs watched more easily. Once the credits are sanctioned no further references to the Registrar are necessary.

LOANS. All resource societies, urban and rural and such classes of consumers' or producers' societies as the Board may

wish to finance, can obtain fixed loans from the Bank on their general assets or such other security as the Board may prescribe. The amount of loans to be granted to an agricultural credit society is determined by the assets of its members in land, its management and financial position, its owned capital as represented by its reserve fund and members' deposits, and the needs of its members for various agricultural purposes. In regard to other classes of societies the basis of assessment is the owned capital, the management, the class of business transacted and the nature of special security offered.

RATE OF INTEREST. Under the Agreement with Government, the maximum rate of interest on loans is 8 per cent. This rate is generally charged on advances to ordinary primary societies, but for well-managed societies classed as 'A' or 'B' and having a low proportion of overdues from members the rate is $7\frac{1}{2}$ per cent. For other classes of societies the rate is determined by the season when advances are required and the nature of the security given. For Central Banks the prevailing rate is 7 per cent. Interest is charged on daily balances and is payable once in twelve months on fixed loans and maximum credits and half-yearly on cash credits.

PERIOD OF LOANS. The period of loans is determined by the purpose for which loans are required. In regard to agricultural credit societies, the period corresponds with the periods fixed in their own bye-laws for loans to members. For other classes of societies, the period allowed generally does not exceed 12 months. The maximum period for which the Bank can sanction a loan is fixed at ten years under its Agreement with Government, although a further renewal for a period of ten years is permissible.

LONG-TERM LOANS. Owing to the facility of being allowed to raise long-term capital by means of debentures, the Bank is in a position to grant long-term loans for debt redemption and land improvement. A sum of Rs. 2,00,000 is set apart every year for the purpose. Loans under the Land Improvement Loans Act (XIX of 1883) are also made by the local Government through the agency of this Bank.

TAGAVI LOANS. Rules for Tagavi advances under the Land Improvement Act to Societies through the Bank are framed

by the local Government. The total amount of advances taken from Government under the Co-operative Societies Land Improvement Loans Rules, excluding the repayments made up to the 31st March 1929, was Rs. 5,05,438 and the outstandings from Societies and Central Banks on this account stood at Rs. 4,82,834. The system of these advances is generally gaining in popularity, but demands are confined to a few districts like Satara, Dharwar, Belgaum and Poona. Funds are received from Government at the rate of $5\frac{1}{2}$ per cent., and are passed on to Central Banks at $5\frac{3}{4}$ per cent. Where advances are made to primary societies the rate of interest is 6 per cent. Wider publicity should be given to this arrangement by Government, especially to the favourable terms in respect of interest and period of repayment.

LAND IMPROVEMENT AND PURCHASE OF AGRICULTURAL MACHINERY. Loans are granted for schemes of agricultural improvement, such as the sinking or repair of wells, the construction of embankments and dams, and the digging of canals for taking water from streams. Advances are also made for the purchase of machinery such as crushers, tractors, pumping plants, oil engines. Such schemes however, are prepared in consultation with officers of the Bank, the local Agricultural Organizers, officers of the Agricultural Department, and the opinion of the Divisional Boards of Co-operation and Agriculture is obtained wherever possible on their financial aspects.

REDEMPTION OF DEBT. The Bank grants loans for redemption of debt secured on mortgage or otherwise to well-managed agricultural credit societies. Such societies prepare complete schemes of debt liquidation in regard to all their members and furnish information on the nature of indebtedness, rates of interest, earning capacity, security and other matters. The necessary forms of application are supplied by the Bank.

DISBURSEMENT AND RETURN OF LOANS. Where societies are financed from Bombay, loans are generally remitted through the Treasury Offices by Remittance Transfer Receipts, and Cash Orders are issued on sub-treasuries. Repayments are similarly remitted through the Taluka Huzur Treasuries. Loans can also be sent by money orders or by insured post and be returned in the same manner or through the neighbouring urban and central banks. Hundies are also accepted for credit to the

accounts on realization. At branches, through which the bulk of the Bank's business is now done, payments are generally made in person to the office-bearers or to members against cheques in their favour issued by their societies.

RECOVERIES AND EXTENSIONS. Societies which take loans are expected to repay the loans on the dates fixed for repayment. In default, such action is taken by the Board as they deem fit, through the Registrar of Co-operative Societies. Compound interest is charged on all overdue amounts. If owing to failure of rains, scarcity, floods or such other natural calamities, agricultural societies have not been able to obtain repayments from their members, they may apply for extension which is granted on such terms and after such enquiries as the Board prescribe. In the applications for extensions, societies are required to communicate information, on the following points :— names of members, amount outstanding, amount repayable in the current season, amount likely to be realized, balance, amount for which extension is granted, grounds for extension, period of extension and action proposed for amounts not covered by extension. Along with the applications, societies are required to forward a general summary of their financial position and the state of crops in the village. For other classes of societies, extension is granted only after enquiry in each individual case.

OTHER INVESTMENTS. Investments of the Bank in Government and trustee securities amounted to Rs. 44,68,000/- on the 31st March, 1928. The amount of deposits with approved Banks, exclusive of call loans was Rs. 34,58,000/- on the same date. The total amount of investments of the Bank in securities and approved Banks, including Sinking Fund Investments amounted to nearly half the total working capital of the Bank on the 31st March, 1928. The yield on Government and Trustee Securities and on deposits with approved Banks at the rates now obtaining can in no case be higher than 5 per cent. If therefore large portions of funds not required for the purpose of fluid resource which is by the agreement fixed at 40 per cent. of deposits payable on demand remain on hand, the return on such investments will involve the Bank in a reduction of income.

AGRICULTURAL PURCHASE AND SALE. Under its bye-laws the Bank is authorised to sell on commission on behalf

of agriculturists, agricultural produce which may be delivered to it for sale. In accordance with this provision and in addition to its ordinary banking work, the sale of jaggery has been undertaken by the Bank through three of the branches, of cotton through a fourth and of grain through a fifth. There are thus five regular shops working under the Bank, in addition to the work of supply and sale undertaken at all the other branches. The advantages of this system are various, the main being assistance in securing a due recovery of the loans advanced. Besides indigenous banking has from times immemorial been conducted in India on a basis where the banker acts also as a trader and commission agent and agriculturists understand this system. All the shops were run by the Bank till the year 1926 as it commanded the services of a large, efficient, and regularly trained staff and the required financial facilities could be made more easily available when the management of shops was entrusted to it. As the Bank is also authorised to purchase and sell all kinds of manures generally used in India, the supply of oil cake manures and fertilizers was well organized and large quantities of safflower, castor, ground-nut and other cakes, fish manures and sulphate of ammonia have been supplied to sugar-cane growers every year through the shops attached to the branches. The Bank has thus been able not only to introduce and supply to the agriculturists, the best manures available in the market at wholesale rates through shops attached to its branches but also to collect and sell the produce of members of its affiliated Societies at the best available rates.

The idea however all along has been that the control over the shops should be transferred to representatives of Societies, and a beginning in this direction was made at Baramati, where at a meeting presided over by the Hon'ble Mr. A. M. K. Dehalvi Minister for Co-operation, a committee of control was appointed in August, 1925, to supervise the working of the shops at Baramati and Nira, pending the formation of a registered purchase and sale Union. The Union was registered in the year 1926 to which the management of the shops was handed over. The management of the Yellur Union's shop at Kolhapur was handed over to a similar body in the year 1927. The shops at Kopargam and Belapur will have to wait for a few years more before a similar development takes place in view of the bad financial plight of a number of societies in the group, but even now the policy of the shops is determined in accordance with the wishes of an Advisory Committee. The profits of all shops belong to the Societies wholly,

and no charges are made by the Bank even for the cost of supervision over the shops' working. The task before the registered Unions for managing the shops is full of difficulties, as the experience of the existing purchase and sale societies shows. The management of shops dealing in the produce of members on an extensive scale requires efficient management and expert guidance and should therefore be left with those who can command the necessary resources to supply both.

The total value of jaggery sold at the shops annually varies from ten to seventeen lacs according to the season and the market for jaggery and the value of manures supplied by the shops annually varies from five to ten lacs. Agricultural implements of various types are stocked at the branches of the Bank along with spare parts and the number of implements sold annually varies from five to seven hundred in number. The Bank's example in these directions is being followed by some of the Central Banks of the Presidency. The Bank has arrangements with Messrs. Shaw Wallace & Co. for the sale of sulphate of ammonia at all its branches and the business is being extended from year to year. As mentioned above apart from the shops, the branches in Khandesh and elsewhere undertake the work of supplying cotton and ground-nut seeds and the total value of all types of seeds supplied amounts annually to a lac of rupees. This business is growing in popularity in Khandesh especially, and most Societies draw in kind their members' requirements for seeds. Recently, proposals were received by this Bank for starting shops at several centres, but the Bank regretted its inability to start additional shops on the system of joint control, but promised to give full help if the Societies started their own organisations for the purpose. The business of co-operative sale can be very much furthered if proper arrangements are devised for providing funds on the security of agricultural produce, such as ground-nuts and other seeds, food grains, cotton and jaggery.

INLAND EXCHANGE. Another interesting activity of the Bank is the development of inland exchange business. This enables the Bank to get into touch with the local money market to establish financial relations with the local traders and bankers and, serving, as its branches do, small trade centres, to supply a real need in the financial machinery. The aggregate amount of drafts on Bombay issued by the Bank's branches amounted to nearly Rs. 50,00,000/- annually till the year 1926 and the amount of

demand bills of approved parties discounted by them during the same period amounted to Rs. 75,00,000. With the help of the Registrar, the Bank has made arrangements with the Deputy Controller of Currency for the issue of Remittance Transfer Receipts direct from Bombay to branches in Taluka towns and vice versa, but the amounts of such remittances are limited per day and per month. A representation was also made to Government to consider the possibility of allowing branches of this Bank to draw money within limits fixed in advance from local sub-treasuries in exchange for demand drafts on the Head Office. This would enable the branches to meet their very urgent requirements which they could only get satisfied after a day's delay even by Telegraphic Transfers. The Government do not appear willing to consider the proposal favourably. However, if this facility is granted, it will help in extending current account and other banking business in small Taluka towns to a very large extent. It may be added that the Bank serves as a kind of clearing house for the cheques of Co-operative Banks and that central and urban banks in the mofussil and other types of Societies carry on a large volume of transactions daily with the Bank. Although the average volume of turnover in current accounts is not more than five lacs per day, the number of transactions is much larger than the figure indicates and the average number of cheques presented to the Bank for payment daily is over 200 and of those cleared daily for collection over a hundred.

RELATIONS WITH CENTRAL AND URBAN BANKS. The work of Central Banks has now been more or less systematised and a good number of them have engaged the services of trained managers. It is therefore not found necessary to visit the Central Banks regularly for purposes of inspection. Previously, this was felt to be a very useful method of conveying to the various Banks the results of the experience and knowledge gained by the Bank and to bring the Central Banks in closer touch with the latter. In view of these earlier visits and the fact that a majority of the present managers of Central Banks underwent training at the Bank, fairly close touch has now been established. The Directors of Central Banks have an opportunity of meeting the Board of the Bank on various occasions, including the annual conferences of Central Banks. In addition to the annual training classes for managers conducted by the Bombay Provincial Co-operative Institute, training is given to inspectors of Central Banks:

at the Co-operative Schools established at Surat, Poona and Dharwar by the same organisation. The Bank assisted Central Banks in the earlier stages in the work of inspection of their affiliated Societies by allowing grants to new Central Banks for meeting the cost of inspection and this assistance is extended also to Sind although Central Banks in Sind do not borrow from the Bank. In view of their growing resources, a number of Central Banks go in for the purchase of Government securities and the requisite guidance and advice in this matter are given by the Bank. The Bank also receives frequent references regarding procedure of work, administrative matters and general financial policy, while several Central Banks have adopted the account forms and books in use at the Provincial Bank. As a majority of the Central Banks are plus Banks, keeping deposits with the Bank, the advances to them do not amount to any appreciable figure.

The Urban Banks send a representative on the Board of Directors of the Bank. The Bank has, in consultation with the Registrar agreed to encourage the use of real trade bills among well-managed urban Banks and arrangements have been made for the re-discounting of such bills when presented by approved banks within limits to be prescribed. The Bank has waived the half-interest clause on small cash credits granted to new Urban Banks, and to older Banks for amounts under Rs. 5,000/-. The Bank has always been keen on assisting in the development of Urban Banks on sound lines and encouraging these to introduce modern banking methods and to arrange for the grant of advances against agricultural produce. A beginning in this direction has been made in respect of the paddy crops in Kalyan and Bhivdi Talukas of the Thana District by the assistance rendered to the 'Peoples' Banks established there. Assistance is also given to the cotton sale societies of Gujarat and the Karnatak by actually assisting in the sale of their produce in Bombay. The quantity of cotton of the Societies sold through the Bank in Bombay varies from 400 to 500 bales annually.

INSPECTION OF SOCIETIES. The total number of Societies financed by the Bank directly by the Head Office as well as through its branches is nearly 1,000. The Bank supervises the working of the Societies through its own staff of full-time and part-time inspectors. The total number of inspectors engaged in the work of inspection is about twenty-nine at present of whom 13 are part-time inspectors. With the growth of societies and the

establishment of closer financial relations with them, the responsibilities of the Bank's inspecting staff increase. On the other hand, with the starting of Supervising Unions and the increased activity shown by the branches of the Bombay Provincial Co-operative Institute, an additional agency comes into the field, besides the auditors and the Honorary Organisers. It is, therefore, necessary that the duties and responsibilities of the staff of the various inspecting agencies be clearly defined. Although where the other agencies are absent or inactive the inspectors of the Bank have to take up miscellaneous odd duties, their main responsibilities remain the following :—

(1) General inspection of societies once a year to see if management is conducted on sound and efficient lines.

(2) Scrutiny of normal credit statements and training of new societies in preparation of these.

(3) Check over proper utilization of loans.

(4) Inquiry into arrears and applications for extension and stimulation of recoveries where committees are dormant.

(5) Inquiries into applications for loans for debt redemption.

(6) Inquiries into the financial position and standing of Societies applying for loans for land improvement under the Rules.

(7) Giving general advice and suggestions in matters relating to financial administration.

(8) Assistance in work of organisation, training, propaganda or inquiry when so desired by local organisers, the Institute or the Department.

(9) Assistance in encouraging and developing Supervising Unions.

Frequent circulars on subjects concerning the relations of Societies with the Bank and questions of finance are issued and explained by inspectors in the course of their tours. Most Societies which hold shares feel that they have thereby established a further link with the Bank. The levy of charges for inspection has been abandoned in the few areas in which it was imposed originally. With the exception of the Bhil tract in the Panch Mahals, the Bank's expenditure on inspection has increased. It was hoped that with the starting of Supervising Unions, the Bank's staff could be reduced. The training of Union supervisors and the education of Union committees will, however, take some time and although there was some reduction for a time, the Bank's staff has been retained at its original strength.

The Bank has accepted the suggestion that some contributions

towards the expenses of Supervising Unions should be made by the Bank and annual grants are given to some Supervising Unions. The Bank's supervision is generally appreciated, though it is natural that where mal-practices are exposed the supervision should become unpopular.

EXPENDITURE ON PROPAGANDA. The Bank incurs considerable expense, direct and indirect, on the work of propaganda and education. Apart from the travelling and other expenses incurred by the Bank in deputing its officers to assist in delivering lectures and organising conferences and meetings, the amount spent annually on the work of propaganda is annually nearly five per cent. of the net profits of the Bank.

PROFIT AND ITS DISTRIBUTION. In view of the Bank's ability to expand its business within the movement and to keep up the standard of profits, despite an increase in expenditure on supervision and inspection, and the exclusion of overdue interest, a dividend at the rate of 8 per cent. per annum is being declared for the last four years. In view of the maintenance of the sinking fund the Bank has been exempted from operation of the section of the Act relating to the allocation of one-fourth of the profits to the Reserve Fund. The sinking fund for debentures was invested previously in the Bank's own debentures, but during the last six years investments are made in Government Securities maturing sometime before the date of redemption of the Debentures. The investments are held by the Accountant General in the joint names of himself and Sir Lalubhai Samaldas nominated on behalf of the Bank. The reserve for doubtful debts amounting to Rs. 1,30,000 is built up from the annual profits of the Bank and represents provision against the dues of cancelled Societies which may lead to bad debts, and also to a certain extent against overdue loans.

REBATE. As provided in the Agreement, the balance of profits remaining after the payment to shareholders of a dividend at the rate of 6 per cent. per annum, is available for equal distribution among the shareholders and the borrowing Societies. The share of the Societies is divided among them in proportion to the amount of interest paid by them to the Bank during the triennium, at the end of every period of three years. From the annual profits appropriations are made to the Societies' share of the Divisible

fund and collected there till the end of the triennium when the amount collected is distributed. The amount of rebate of interest disbursed during the five triennia which have elapsed since the commencement of operations is Rs. 1,11,000.

AUDIT. The accounts of the Bank are annually audited by the Special Government Auditor and by the Bank's own Auditor appointed at its Annual Meeting. Statements of its financial position are published quarterly in the Bombay Government Gazette.

POSITION IN CO-OPERATIVE BANKING ORGANIZATIONS. The position occupied by the Bombay Provincial Co-operative Bank in the co-operative banking organizations of the country is unique. It is one of the oldest co-operative banks situated in the chief financial centre of the country, the city of Bombay. Due to its position, it is able to secure the services of persons possessing knowledge of business methods and practice on its Board and on its staff, and its efficient and sound administration and excellent connections have enabled it to command very good credit and unlimited resources. It is the only co-operative bank in the country which has successfully financed the requirements of Co-operative Societies with short-term deposits, which has directly organised the stocking and marketing of the agricultural produce of members of its affiliated Societies, and has succeeded in directly introducing improved implements and seeds on an extensive scale. It is the only co-operative bank which has successfully developed inland exchange within the Presidency of Bombay and improved the remittance facilities of small mofussil towns and villages where neither the Imperial Bank nor the Commercial Banks can hope to have branches in the near future. It is the only co-operative bank in the country which has successfully inaugurated and developed a system of branch banking and succeeded in establishing a very close touch with its affiliated societies scattered throughout the Presidency of Bombay. The Bank has gradually been recognised as a sure guide in matters relating to co-operative finance and banking, and has proved to be an unfailing source of inspiration in its many sided activities to several co-operative banks in the country.

CENTRALIZATION OF FINANCE. The Bank was organised not with the object of serving as a balancing centre and an apex bank for the movement but primarily with the object of

providing cheap long-term credit to primary societies of which the Movement was then considered to be principally in need. Its constitution therefore, did not provide for any recognition of the present idea of an apex co-operative bank. With the steady growth of the Movement since the organisation of the Bank, several Central Banks were organised in the Presidency with a view to infuse local interest in the movement and to enable the societies to get prompt and adequate finance. At a later stage, some organic connection between the Central Banks and the Bank was found necessary. The Bank therefore was requested to change its name into the Bombay Provincial Co-operative Bank in the year 1923, but the constitution of the other banks as well as of this Bank remained more or less the same as before and the Bank continued to directly finance primary societies. With the growth in the number, membership, and resources of the societies, intimate connection with them was found necessary and therefore branches of the Bank were opened in convenient centres. From the work done at the branches it is obvious that their object is to provide banking facilities to the affiliated primary societies, to train the latter in business methods, to develop arrangements for the prompt and adequate supply of capital, and to build up intimate relations between the Bank and its borrowers. For the training of members of societies in the detailed management of a co-operative bank, local committees consisting of elected representatives of the affiliated societies are associated with the working of each branch.

It is admitted by all the leading co-operators in the country that centralisation in finance, is essential for the development and use of the financial resources of the Movement, and to give it vitality and strength to face any financial crisis with confidence. It is also admitted that decentralisation in finance, hinders the growth of the movement, but still there is some difference of opinion with regard to the best method of achieving centralisation. It is believed that, if centralisation in finance is achieved by development of the branch system, it will destroy local initiative and enterprise, and the Bank through its branches will not be able to attract as much capital as an apex bank with its independent Central Banks can. It is also believed that the branch system if well organised and properly managed will be less economical in the matter of the cost of management than a system of an apex bank with independent Central Banks, and therefore the branch system will not secure for the borrowing societies any advantage by way of a greater margin of profit or reduction of interest on loans to its members.

It is therefore believed that it will be advantageous to retain the independent existence of Central Banks. With a view to enable the apex bank and the Central Banks to function as parts of a single financial machinery within one Province, it is thought desirable to create conventions and if necessary to incorporate provisions in their bye-laws by which they shall be bound in the regulation of their mutual relations. Although the system suggested above is ideally perfect there are bound to be practical difficulties in the way of its smooth working. If the Provincial Bank and the Central Banks are to function as parts of a single financial machinery, there remains little scope for local initiative and enterprise in the Central Banks. If decisions of the Board of Directors of the Provincial Bank are made binding on the Central Banks, the latter cannot retain their independence. During the last fifteen years big commercial Banks in Europe have shown a tendency towards amalgamation and centralisation of their financial resources. In India the three Presidency Banks have been amalgamated into the Imperial Bank of India. The Allahabad Bank and the P & O Banking Corporation have also sought amalgamation. The Tata Industrial Bank and the Central Bank of India, and to some extent the Union Bank of India have also been merged into a big combination. In Russia three big Co-operative Banks have also been amalgamated. The professed object of all these amalgamations is to strengthen and cheapen their credit resources. If therefore co-operative finance is centralised in one big co-operative bank in each Province, it is bound to strengthen its credit and enable it to command unlimited resources, besides enabling it to discharge its functions more efficiently at less cost. It is true that over-centralisation in finance, as in production, leads to diminished returns but the stage where centralisation becomes excessive can be determined by the strength and resources of the affiliated primary societies and the extent of the area covered. In the present state of the movement in the country and the resources of the societies, centralisation of co-operative finance in one co-operative bank, in one administrative Province, cannot, as a general rule, be considered excessive. Besides, such centralisation will enhance and cheapen co-operative credit, and by centralising financial administration in the hands of those most suited for the work, will make it more efficient. These contentions are amply borne out in the Presidency of Bombay where co-operative finance is centralised to a large extent in the Bombay Provincial Co-operative Bank. From statistics relating to the progress of the Co-operative Move-

ment in India for the year 1926-27, it appears that the borrowing rate of agricultural primary societies in Bombay Presidency is the lowest in the whole country. As a result the members of primary societies in the Presidency get loans at the cheap rate of $9\frac{3}{4}$ per cent. per annum which is lower than the rate at which members of primary societies get loans from their societies, elsewhere, in the country. In all other provinces of the country, except Madras, members of primary societies get loans from their societies at the rate of 12 to 15 per cent. per annum, and the rate at which loans are advanced to members of societies in Madras is higher by more than $\frac{1}{2}$ per cent. than the rate at which they are advanced to members of societies in Bombay. It is clear therefore that centralisation of finance in Bombay has cheapened credit for the agriculturists. From statistics available it is clear that centralisation of finance has led to its very efficient administration in the Presidency of Bombay with the result that several important schemes relating to the production and distribution of the produce of members, could be successfully introduced, and satisfactory results regarding recoveries could be shown. In the Presidency of Bombay the percentage of recoveries to total dues from members of societies is the highest in all the provinces of the country. The percentage of recoveries to total dues in societies is about 70 per cent. in the Bombay Presidency while in no other province of India the percentage of recoveries in societies to their total dues exceeds 50 per cent. on an average.

CHAPTER IV. AGRICULTURAL SUPPLY AND MARKETING

BY

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Importance of agricultural supply and marketing. Present position in the Presidency: Sind, Gujarat, Karnatak, Khandesh, Maharashtra, The Konkan. Constitution of supply and marketing societies. Individual members in sale societies. Finance. Management. Working: Purchase business. Working: Sale business. Supply of household requisites. The agricultural wholesale.

CHAPTER IV.

AGRICULTURAL SUPPLY AND MARKETING

The need for co-operative credit was so generally recognised both for agriculturists and others in rural areas, the principles thereof seemed so clear and such as could be applied uniformly to all rural areas, the working appeared to be so simple, the success of societies depended so much on honesty and earnestness and not so much on literacy or business ability of the members and the experiment seemed so pregnant with so many great possibilities, that it was quite in the fitness of things for Government to launch the experiment of organising Agricultural credit societies only in the first instance and the Act of 1904 was purely a Co-operative Credit Societies' Act. A few years showed however the need for widening the outlook and for allowing the organisation of co-operative societies for non-credit purposes also.

IMPORTANCE OF AGRICULTURAL SUPPLY AND MARKETING. The importance of a proper system of agricultural supply and marketing cannot be exaggerated. The need for a better organisation is however not felt uniformly, inasmuch as so much depends upon the general level of culture of the agriculturists in different areas, the kind of crop produced and the marketing facilities already enjoyed by the producers. The devising of a better system of agricultural supply and marketing involves a very careful study of local circumstances and the business aptitude of the rural people. No uniformity is possible as in the case of credit organisations; variations to suit the conditions of different areas have to be allowed. The economic advantages of a proper system of agricultural supply and marketing are indeed very great, affecting as it does, not only the interests of the farmers but also of all classes in the country, the proper distribution of agricultural requisites improving the quantity and quality of the produce. If India, handicapped as it is with small and fragmented holdings and the poverty of the agriculturists, is to keep pace with the times, it must make an increased use of improved implements, chemical

fertilisers and selected types of seed. The cultivators are often ignorant whether certain implements which they might desire to use are being manufactured by the makers of agricultural implements with whom they deal generally, and they are equally in the dark as to the percentages of the chemical ingredients of the manures they seek to use. They remain at the mercy of the local merchants, on whom they must needs rely, in the absence of any other reliable agency from whom they could effect their purchases of implements, seeds or manures. They are conservative in their dealings in this as in other matters and their conservatism reacts naturally very unfavourably on the prosperity of agriculture, in the country. The extreme poverty and the gross illiteracy of the agricultural population make it imperative that the supply of agricultural requisites must not be left in the hands of those who have no stake in the actual production of the country but should be entrusted to the agriculturists themselves or to some other agency which would perform this very important function on their behalf. Even in countries, where conditions are more favourable, it is considered desirable to retain the control of this trade in the hands of the organisations of agriculturists themselves. In a land like ours therefore, where capital is shy, where credit is not well organised, where illiteracy and conservatism are great handicaps, it is all the more necessary to build up an efficient system for the cheap supply of agricultural requisites and for this purpose, the co-operative system offers the best and most reliable solution.

The present system of agricultural marketing similarly needs remodelling on a co-operative basis. Trade is no longer merely local; it has become inter-provincial, and international. Improvements in the methods of transport and the means of communication by the introduction of the railways, steamships and the telegraph have revolutionised trade so much that the self-sufficiency of the village has given place to a world-wide economy and food crops to money crops. The agriculturist in India though very conservative has not escaped the transformation thus wrought in agriculture and has begun in an increasing measure to grow crops not merely for subsistence but for market abroad. Prices of agricultural produce are now affected by wider factors and the agriculturist in this country is ill-fitted by his ignorance to 'sell in the dearest market' and to make a reasonable amount of profit from his occupation. He is thus very adversely affected by this change in the character of the crops and the world-wide fluctuations in prices. The organised and educated middlemen who control today the

marketing of agricultural produce are much better fitted by their knowledge of markets and their control of capital so that in spite of competition, and that too very keen competition, they thrive very well indeed. Under the present system of marketing, quite a number of middlemen thus intervene between the producer and the consumer and the profits of each middleman in the chain increases the price ultimately paid by the consumer, so that there is a very great difference between the price realised by the agriculturist and the price paid by the consumer of the produce raised by him. This is a very wasteful system indeed of distribution and the full advantage of growing money crops is denied to the agriculturist. While the consumers might usefully try to bridge the gulf by building up co-operative organisations from their end of the chain, it is very essential for the success of agriculture that the agriculturist too should build up his organisations from his end for the more effective marketing of his produce. The unnecessary multiplicity of middlemen is as obnoxious to the agriculturist as to the consumer and it is the co-operative system only that will enable him to fight his battle with a good chance of success. A battle, it will certainly have to be, inasmuch as the middlemen are better organised and educated and will not easily surrender to the co-operative organisations trying to eliminate them. Experience even in this Presidency has shown that all possible difficulties are thrown in the way of such co-operative sale societies by the skilled organisations of the middlemen, but experience has also shown that Co-operation in this as in other directions succeeds and when properly developed defies all attempts to snub or strangle it. Other countries have made notable progress in co-operative marketing, particularly Denmark and the United States of America and it is up to us to work for the economic regeneration of our toiling millions on the soil by earnestly pushing forward the co-operative movement for the purchase of agricultural requisites and the sale of agricultural produce.

PRESENT POSITION IN THE PRESIDENCY. There were 59 societies in the Presidency on the 31st March 1928, for co-operative marketing, distributed as under :—

Cotton Sale Societies . . .	32
Gul „ . . .	2
Tobacco „ . . .	1
Chillies „ . . .	1
Paddy „ . . .	10
Onion „ . . .	1
Miscellaneous Produce . . .	12
<i>Total . . .</i>	<i>59</i>

SIND. Sind is relatively a new tract, so far as Co-operation is concerned, and as such it is building up its credit organisation so far. It must be said that the credit societies in Sind are working generally with greater success than perhaps in the Presidency proper. It has however not yet turned seriously to the extension of co-operative effort for supply and marketing. There are just a couple of societies—one the Malir Potato Sale Society near Karachi and the other the Shikarpur Sale Society. Both these societies seem to be doing well. The opening of the Sukkur Barrage however will be an event of the first magnitude and will give ample opportunity to organise sale societies in the tracts watered from the Barrage canals. Sind will have to be active in this direction if it wishes its farmers to reap the full advantages of the Canals and to prevent the middlemen from fattening themselves on the profits of the sale of agricultural produce.

GUJARAT. In Gujarat, co-operative marketing has made good headway, chiefly in the matter of cotton. The societies are so far mostly in the cotton districts of Surat and Broach. The area of operations of a society is limited usually to a group of four or five villages and the management is generally in the hands of the chairman or paid secretaries. In marketing societies, the great difficulty always is about continued efficient management. To get together an honest, businesslike and influential committee to control the work of paid agency in a limited area like this is obviously a difficult thing to do and the society would be faced with grave danger if the present workers retired or went slack. The Cotton Sale Societies in Gujarat have therefore now combined in a federation mainly for the purpose of carrying on effective

propaganda and for systematising accounts of the constituent societies. If the Federation proposes to take over the work of supervision and control over the constituent societies also, one wonders whether the better course would not be to organise a big Sale Society with branches all over, so as to secure a continuity of policy in the working, greater solidarity, greater efficiency and better staff. Panch Mahals is the only other district in Gujarat where co-operative marketing is to some extent introduced. In the Dohad Taluka, co-operative marketing is carried on at three centres, through local merchants on commission basis and the sale business is carried on under the supervision of the Special Mamlatdar maintained in that area jointly by Government and the Bombay Provincial Co-operative Bank, and placed in charge of the credit societies in the backward area inhabited largely by the Bhils. The Kalol Branch of the same bank carries on the marketing of the ground-nuts and *kapas* produced by the members of the credit societies affiliated to it. These are however experiments and first steps towards starting a regular purchase and sale union for the Panch Mahals at the District Headquarters—Godhra, with branches at various convenient centres.

KARNATAK. The area which stands ahead of all other areas in respect of the development of marketing societies is undoubtedly the Karnatak, in spite of several difficulties and defects in the working of the societies. Cotton is the principal crop marketed by co-operative agency in this division, though societies exist also for the sale of *gul*, chillies, tobacco and some other crops. The cotton sale societies of this division have earned a position for themselves in the cotton trade in that area and a very substantial part of the entire cotton crop of the division is thus marketed through these co-operative organisations. The importance of these institutions has naturally aroused the active hostility of local merchants, who throw every conceivable obstacle in their way. The Departmental officers have frequently therefore to interfere and come to their rescue. With the progress of time, the societies are getting stronger and will be able to continue to defy the opposition of the local merchants. In one respect however, the Karnatak societies present a weakness, which it would be well to remove as soon as may be. They allow advances to members before even they bring over the crop to the society and have thus often to recover large balances from them. This is positively unsafe, for it is virtually equivalent to granting loans on personal security

only, which is the function of the credit society, not of the sale society. The societies might be reconstituted, so as to remove this defect which might land them into unnecessary trouble.

KHANDESH. Khandesh, the region of the Tapti Valley, offers also great possibilities for co-operative marketing and already some societies have been organised in those districts. But, the lack of good workers and defective organisation have not enabled them to achieve success. The societies at Bodwad and Pachora recorded good business, but they failed to secure the full advantages of co-operative marketing that ought to have been secured and are not very popular institutions. The Provincial Co-operative Bank, Bombay has branches in the Khandesh District and these branches are carrying on fairly good business in the supply of agricultural requisites and the sale of agricultural produce for members of the primary societies affiliated to them. They supply cotton seed on the indent system and the seed is purchased from the Agricultural Department. The branches at Dhulia, Shirpur and Parola also do some sale business. The Lasalgaon Branch of the Nasik District Co-operative Bank commenced business recently on the same lines as the branches of the Provincial Bank. These experiments have clearly shown the great possibilities of co-operative marketing and the need for starting an independent institution for the purpose. A Sale Union for West Khandesh has been established at Dhulia last year and it has been able to do a good deal of business in its first year ; another union has been started at Malegaon in the Nasik District and the results there also are not discouraging.

MAHARASHTRA. The Maharashtra is the area which needs most supply and sale organisations. It is a land of large canals on the one hand and is also a land of famines on the other. The agriculturist is even more illiterate, ignorant and indebted than elsewhere and requires the co-operative organisation of supply and marketing in a greater degree, to bring about any appreciable improvement in his economic condition. The conditions showing the great need for non-credit societies act however as great handicaps also. The societies that were started in that area have not been able to succeed on account of defective organisation and defective working. Here also however the Provincial Co-operative Bank of Bombay has stepped in to lead the way and has played a great part in introducing purchase and sale work in Maharashtra and in systematising the lines on which such work could

proceed with advantage. Side by side with the branches of the Bank for credit work, the Bank has started a separate department for co-operative marketing and has tried to popularise purchase and sale on co-operative lines by holding meetings of members and by imparting training to them through elected advisory boards. The profit earned from this business of course goes to the members. Depots are established at various centres and at two centres it has been found possible to own two big godowns which are so very necessary as facilities for storing and holding up the produce for sale at a later date most advantageously. The experiment has been fruitful and as a result of the experience gained, three sale unions have now been started, the area of operations of two of these embracing whole districts.

THE KONKAN. The Konkan is a distinctive region, being a narrow coastal strip, south of Bombay. The rainfall is very heavy and the main crop is paddy. The conditions of marketing this crop are peculiar in this that though paddy is here a money crop, it is not largely exported up-country but a large portion is consumed in the Presidency itself. Frequent fluctuations of prices are not experienced and if the stock is stored for a year, the value is increased. There is thus a great field for the co-operative marketing of paddy and paddy sale societies ought to be a feature of co-operation in the Konkan. And yet, it is to be regretted that this area is very backward in co-operative developments. Even credit co-operation has not made much highway there, perhaps due to peculiar difficulties of the *khoti* tenure, easy conditions of obtaining credit and other circumstances. It has been generally the experience that non-credit co-operation takes root and develops much faster in areas where credit societies have been running successfully for some time than in tracts where there are not well managed groups of such societies. The bringing together of agriculturists for the rather complex business of agricultural supply and marketing becomes in consequence a difficult task. There is also the difficulty of providing godown facilities, if the sale of paddy is to be developed co-operatively. The Madras and Behar and Orissa Governments have been assisting the people in this matter by giving loans at nominal rates of interest for the erection of suitable godowns, and there is no reason why the Government of Bombay should be reluctant to follow the same policy particularly as there seems to be no other agency which can come forward to shoulder this burden.

This is the position of co-operative supply and marketing in the different regions of the Presidency. It is clear that while credit co-operation has grown and flourished very much throughout the Presidency generally speaking, the developments of co-operative efforts in non-credit directions have not been commensurate with their tremendous possibilities and vital importance. Mere credit is not going to solve the problem of the country—the re-organisation of agriculture and making it economic. It is the introduction of the co-operative principle in all matters affecting agriculture and agriculturists that is essential and among these matters, the organisation of agricultural supply and marketing claims a place of prime importance.

CONSTITUTION OF SUPPLY AND MARKETING SOCIETIES. The principles, constitution and working of a purchase and sale society differ in many important particulars from those of a credit society. The business of the latter is so simple that honorary agencies would be welcome in reducing the working expenditure without sacrificing much of the efficiency necessary for success; the business of the former is complex enough to render the honorary agencies of extremely doubtful value. Unlimited liability is essential for credit societies of agriculturists, the collective credit of all members attracting capital from outside; the reputation of a purchase and sale society does not require unlimited liability but has to be built up by the quality and quantity of the produce sent to the society by members. Personal credit makes it necessary to restrict the membership of a credit society to a village, so as to secure close acquaintance between members, so essential to the success of a rural credit society; while the nature of the business of a purchase and sale society makes it very desirable that its area of operations should be considerably wider. In a credit society, membership could be left open to all persons whether they wish to borrow or not; on the contrary it is very desirable that richer persons who might not like or want to borrow should also join the society to whom they are a source of strength. In a purchase and sale society on the other hand, the non-producers who are interested in the purchase and sale business should not be allowed to join it and bring it to grief; the membership must be restricted to those who raise the crops only. The profits of a credit society are indivisible in a large measure, or in societies with a share capital even, they go under certain conditions to the shareholders in proportion to the shares held by them in the

society ; while the profits made by a purchase and sale organisation are to be distributed in proportion to the custom brought by members during the year to the society. The natures thus of a credit and a non-credit organisation are so distinct, the principles involved in their working so different that it has not been found possible to combine the two businesses in the same organisation. Theoretically it would be of course preferable to have only one society for both these purposes in a village ; yet, in practice the combination of sale business with that of credit is found to be so undesirable that the two types of societies have had to be kept distinct. In the earlier stages, the Co-operative Department insisted that there should be two separate societies for purchase and sale. But, the balance of advantage lies in allowing the same organisation to undertake both purchase and sale and we no longer have now separate societies for the supply of agricultural requisites and for the sale of the produce. The supply societies started earlier have been more or less moribund. It appears that supply must either be tacked on to sale or to credit. The credit society sanctions loans and it would be very much to its advantage if these loans were to be sanctioned in kind rather than in cash, inasmuch as this would secure the proper application of the loan to the purpose stated in the loan application. The season for the supply business is not the same as the season for the sale of produce and the combination of these two functions in the hands of the society would doubtless lead to economies in establishment, godown rents and the like. The membership is the same, the co-operative principles are the same in both cases and it is to the interest of the sale society to secure uniformity and good quality and to undertake towards this end, the supply of good seeds, implements, manures etc.

INDIVIDUAL MEMBERS IN SALE SOCIETIES.

Co-operative Marketing Societies are and should be on the limited liability basis. Shares therein are subscribed to by individuals and also sometimes by societies. This creates a peculiar position sometimes, since individuals who do the same business as the society are allowed to hold shares in the society. The business experience of these members quickly gives them a dominant position in the management of the society and their personal interests dictate a policy antagonistic to the true interests of the society. Some of the societies have therefore adopted a bye-law by which their membership is closed to all those individuals who are interested in

the same business as that of the society. This precautionary measure has not brought the society any relief, since, the low value of the share, intended to facilitate a poor farmer entering the society as a member, enables also the competing merchants to get their friends and relations subscribe to shares and obtain a majority in the managing committee or the general body. The exclusion of the competitor from the society has become a problem of importance and the only solution seems to be the total exclusion of individuals from the society membership and forming thus not a sale society but, a purchase and sale Union. This is however a solution of doubtful value. The exclusion of the competitor involves the exclusion also of rich land-holders who do not join the credit society, but who would be extremely useful in the management of a sale society, as also of the class of men who not caring to shoulder the responsibilities of the unlimited liability of a credit society would be yet glad to sell their produce through the sale society. While it is necessary to exclude the sneaking in directly or indirectly of the middleman competing with the society, it is necessary to allow these two classes—the landlord and the believer in non-credit work to come in. For the latter class, it is possible to allow them to bring their produce for sale as non-members and for the former, careful co-option of non-members for acting as advisers to the managing committee might prove to be of some use. The easiest and perhaps under the circumstances the best solution is to allow membership only to credit societies within the area served by the sale society, that is to develop sale business on the superstructure of credit, the credit societies forming unions for the purposes of purchase and sale. Some half a dozen sale unions have already been registered in the Presidency and it is hoped their progress would be the basis for subsequent development along this line. The marketing problem of the ordinary farmer, not financed by a co-operative credit society is so beset with difficulties, that he is unable to take advantage of the purchase and sale organisation. The support given by the credit societies within its area to members is the chief factor of strength to the marketing society. By this linking up credit with sale, credit societies also benefit in this that they are assured of the proper application of the loan money to productive purposes and in that they can recover their dues from the sale unions by mere adjustments. The sale union thus seems to be a very profitable line of advance for non-credit organisations for the benefit of agriculturists.

FINANCE. The chief difficulty, co-operative purchase and sale societies have to encounter is that of finance. Purchases of agricultural requisites such as seed or manure can be more advantageously made a little before the agricultural season begins ; and the capital necessary to make these purchases betimes has got to come from the advances which the farmers must give to the society against their orders ; and, it is just then that these farmers are short of cash and are unable to pay the advances in full. The share capital of the purchase and sale society is generally so small that it cannot serve the purpose. Deposits for short periods would be at this time most welcome, but are not available. The central financing agency, be it the Provincial Co-operative Bank or a District Central Bank does not consider it safe to lend an amount exceeding the share capital of the society, unless the goods are kept in its custody and a special clerk engaged by it is paid for by the society. This charge is obviously too heavy for a small society in its early stages. In this way, the problem of finance for the purchase of agricultural requisites becomes a very acute one. But, the problem of financing the sale operations of the society is still more acute. The farmers require advances, and a substantial portion of the advances has to be granted as soon as they bring their produce for sale ; and, it takes very often a week or more to realise the dues from the purchasing merchants. Under such circumstances, the society has not even the produce with it to hypothecate it and give a lien to the central financing agency for obtaining the necessary accommodation from it. The demand for money by the society for purchases or for meeting the demand of members during the intervening period is not uniform and there is a very great variation in the balances thus employed by it. A larger share capital will not solve the problem in any way, inasmuch as the large amount apart from the difficulty of raising it from individuals or from credit societies, would remain unemployed for a long period. It is the financing agency only that can come to the rescue, and some kind of guarantee must be devised to enable it to advance monies to these sale societies. There used to be the system in this Presidency of guaranteeing unions formed of credit societies. These desired to take up this work of guaranteeing the loans of financing agencies to sale societies and some unions actually did the work for some time. It was not considered desirable however that credit work should be mixed up with non-credit work. A way out of the difficulty would be to make the members of the managing committee liable for the funds needed for financing the opera-

tions of sale societies. This would however create a class of special members—patrons—who would be hard to remove if and when any one of them turned out to be undesirable. Besides, the arrangement would hardly be co-operative and is therefore being stopped where it was being tried. Another and the better way to meet the difficulty of guaranteeing the financial agency against loss by its financing the sale society is to create a sort of a multiple-liability for the members, who are not, in a Sale Union, individuals but credit societies. Creating the liability gives the necessary guarantee against loss to the financing agency and does away with the need for a larger share capital, which would have to lie idle for a pretty long period.

Before organising a Sale Union, an estimate should be prepared of the amount of finance necessary for its working during the year. Since under the system of multiple liability, the financing agency will doubtless be able to lend up to four times the share capital, the share capital of the Union need not be more than one-fifth of its total requirements for the year. This one-fifth has to be obtained from the credit societies joining the Sale Union, which should contribute in proportion to the custom they expect to give to it. The societies will have further to undertake multiple-liability, which might well be twice the amount of share capital subscribed and paid up by each society in the Sale Union. It might well be that some credit societies will not have funds enough, in the shape of reserve fund or owned capital for investing in the shares of the Sale Union, but they could borrow for this purpose from their financing agency.

MANAGEMENT. The success of a Sale Union depends on naturally to a great extent on the efficiency of management. Honesty and popularity of the management are certainly important, but efficiency is no less important. The competition of the local middlemen and that too, of a determined and bitter character makes it all the more necessary that the management should be efficient and also very tactful in handling situations as they arise. So much depends on the proper selection then of the Manager, who naturally will have to be paid handsomely enough. To help the Manager, there is doubtless the Executive Committee, which watches from day to day how the paid staff discharge their duties, lays down the policy, hears complaints and carries on the necessary propaganda to ensure the success of the sale union. The committee members are the elected representatives of the members of the

Union and may be well-intentioned people, but would not necessarily be expert businessmen and might, if left in sole charge lead the Union to grief through well-intentioned but ill-conceived and harmful acts. It is necessary to guard against such a contingency and for that purpose, it is usual in sale unions to set up a Committee of Control composed of non-members as far as possible, who may be experts in business matters and who have not to face election every year but who are selected for a term of three years. Such a committee of control is entrusted with powers of veto over the resolutions of the executive committee and powers of action on important matters. Theoretically, it is rather awkward to have such an outside control over such a democratic body as a co-operative society; the functions performed by the Committee of Control should really be exercised by a federation of several such unions and really in course of time would become the legitimate business of the Wholesale Society, when such is started. Till then in the interests of efficiency, the outside control has to be accepted. The necessity of having a well-paid and efficient staff makes it necessary to widen the area of operations of such sale unions. Small societies for purchase and sale are unthinkable for this reason. A group of four or five villages will also be too small an area to allow an efficient staff to be appointed. Besides, the merchants dealing with the society do try to harass the society in a number of ways if they find that it is a small society with but few supporters, but hesitate and fail, if they do not hesitate, to create troubles in the society, if it is a big organisation supported by a large membership drawn from a large area. This consideration also makes it necessary to widen the area of operation still further. A taluka is the smallest effective unit for the purpose of organisation of a sale union. Really, even a taluka is not sufficiently wide and the modern tendency of sale unions to take up the district as their area of operations seems wise. Of course, convenience dictates that such unions will have to open, as time goes on and circumstances dictate, branches or depots at the taluka marketing centres.

WORKING: PURCHASE BUSINESS. The supply of agricultural requisites is generally done on a commission basis. The Manager issues a circular inviting tenders from members through their credit societies. When all the indents have been collected, they are placed before the managing committee and under the instructions of this committee, the Manager with one

of the members to help him makes the necessary purchases ; the articles so purchased are stored and kept in the custody of the purchase union. The determination of the sale price is not done uniformly by all the Unions. The general impression is that the sale price of the articles should be determined by adding the actual charges of the Union to the prime purchase cost ; and this would be fair enough if the purchases were made at one time only and exactly as per the indents. But, as these requirements are purchased sometimes previously and sold subsequently and not strictly according to the exact indents received, it is but fair and reasonable to charge the actual market prices to members and distribute the profit or loss among the members at the end of the year's working according to co-operative principle in proportion to the custom supplied by each member. The indents usually supplied by the members are rather estimates of requirements and 'sale at market price and dividend on purchase' is the only safe and fair rule for the Unions to follow. If however, members wish to take advantage of their better knowledge of market conditions and greater capacity to pay cash for their requirements, they might be allowed to apply under guaranteed indents—that is to say indents for which they are entirely responsible for losses or gains. There is no objection in such a case for the Union to supply the articles at cost price plus the actual charges of the Union for the business.

Purchase and sale Unions usually restrict their activities on the supply side to the supply by indents of seed, manure and small agricultural implements. The improvement of agriculture in this country needs besides good seed, manure and small implements, the introduction of improved agricultural implements which it would not generally be within the means of the poor cultivator to buy for himself. The Union is indeed the best agency to undertake the supply on hire of such implements to members and to introduce better and improved patterns and thus lead to the improvement of agriculture in the country. There have been started separate societies indeed for such a purpose ; but these implement societies, maintaining a depot of iron ploughs, and such things for hire are not successful, since the establishment charges are ruinous. Besides, these small implement societies cannot afford to keep a stock of motor tractors, borers and many other implements, too costly but very useful to the farmer. In recent years, Taluka Development Associations have been brought into existence and are supposed to be a vital link in the co-ordination between the

Agricultural and the Co-operative Departments in this Presidency. These Associations do maintain a stock of some of these implements, but for want of funds are unable to have a sufficiently large stock on hand for sale or hire. It is for these purchase and sale unions now to step in and develop this business and perform a very important service to the cause of increased production from land and strengthen their own position in the co-operative organisation of agriculture in India on which only or at any rate very largely the hope of rural India depends. It is possible for these sale Unions to maintain a stock of implements on a commission basis from the manufacturers on consignment account and when the business begins to be well handled, it is very probable that manufacturers would be glad to allow free trials of their patterns also.

Another type of business which purchase and sale Unions might well undertake with advantage is that of the purchase of bullocks for their members. From an analysis of the purposes for which loans are granted by credit societies, we find that one of the most important purpose has been the purchase of bullocks. It is a curious experience that some cultivators sell off their bullocks after the season and purchase again another pair next year. This foolish procedure entails, needless to say, losses both in purchasing and selling. This purchase and sale of bullocks is found often to be among members of credit societies of the same village, taluka or district. It is therefore very desirable if purchase unions could start a separate department for this purpose and arrange to make purchase and sales of bullocks among their own members and by bringing the buyers and sellers nearer, help to eliminate the middlemen.

WORKING : SALE BUSINESS. The sale of agricultural produce is generally effected at local centres by organising auctions. In this way members are assured of correct weightments and clear accounts. They would further be entitled to the profits if they have paid more by way of commission than was necessary. The sale societies in Gujarat do little more than this. Really, this is not the goal of a Co-operative Marketing Society ; this would be reducing the societies to something like commission shops. The goal of co-operative marketing is to bring the producer and the consumer nearer each other, and towards that end the produce of members in other countries is purchased outright by societies at market rates. It is then graded and exported to the consuming centres and the profits accrued are distributed in proportion to the

produce sent for sale, by members. There are some societies in Gujarat which distribute a uniform quality of cotton seed and the Kapas received from the cultivators being thus of uniform quality, is ginned by the Societies and the cotton disposed of at favourable prices locally or in Bombay. They thus have advanced a step further in undertaking some processes for the preparation of the produce for the market. This is of course possible only when the produce of various members is of uniform type, and when the management fixes prices or does not distribute the full value before the profit and loss is correctly ascertained. The outright purchase of produce tendered for sale by Sale Societies is often unfortunately beset with considerable difficulties ; but at the same time it must be recognised that unless these difficulties are overcome, no appreciable progress in co-operative marketing is possible.

It is obvious that Sale Societies must not be content with merely marketing the produce exactly as received from members. To realise better prices and greater profits for the agriculturists, it is essential that the produce should be marketed after having been prepared in the form or shape demanded by the consumers. Thus it is essential for the success of sale organisations to eliminate the large profits of middlemen by getting the Kapas in cotton tracts ginned and baled. Whether the Sale Unions should themselves erect cotton ginneries and presses or whether there should be separate co-operative gins and presses to which the Sale Unions could take the Kapas is a different problem ; but in the absence of these, it is at any rate desirable that Sale Unions should get the Kapas tendered to them for sale by members ginned and baled before sale. Ground-nuts must similarly be marketed after decortication and rice after husking ; sugarcane likewise admits of conversion into jaggery if not into sugar ; and Sale Unions with the assistance of Government and the Financing agencies should undertake these further processes and preparation for the market before selling the produce of the members.

It is not only pure agricultural produce as such which can be most advantageously marketed through co-operative institutions. Fruits and dairy products require co-operative organisation for their sale no less than cotton, *gur*, ground-nut, rice and so forth. The mango grower in the Konkan hardly gets one-fourth the price paid for mangoes by the consumer in Bombay ; the grapes-grower in Nasik is in no way better off. Fruit Sale Societies are very necessary to prevent the exploitation of the fruit grower by the middlemen merchants. The examples of Denmark and Holland

show how co-operative organisation for the sale of dairy products has helped immensely the peasantry. The great difficulties in regard to the supply of pure milk and unadulterated ghee experienced by the consumer in a city like Bombay can be removed by Co-operative Sale Unions formed for the purpose in suitable regions like the Kaira District. The difficulty however in the way of starting such Unions is in regard to finance and expert advice, and it is up to Government to arrange for cheap long-term loans, free expert advice and efficient management in the initial stage. Pioneering by Government will doubtless repay itself in the efficient organisation on a co-operative basis of Co-operative Marketing in this Presidency.

SUPPLY OF HOUSEHOLD REQUISITES. We have considered hitherto the problem of purchase from the point of view of agricultural production. But it must be remembered that while the agriculturist requires a number of articles for productive purposes, he also requires as a consumer many more for household purposes. It is a problem of some complexity to determine whether this work of supplying household requisites to agriculturists should be undertaken by Purchase Unions or should be left to Consumers' Co-operative Stores organised specially for the purpose. It seems in the present state of the development of non-credit work in rural areas it would not be profitable to establish Consumers' Stores and thus lead to a multiplicity of co-operative organisations in rural areas which on account of the poverty and ignorance of the population require rather a concentration of efforts than dissipation of energy in a number of things. What is wanted is the organisation of a great wholesale society in Bombay for the sale of agricultural produce and the purchase of agricultural requisites. It is such a society which can beneficially extend its activities to the supply of provisions and other household requirements through its affiliated societies—the Purchase and Sale Unions. Till this is accomplished, nothing seems to be possible for the organisation of the Consumers' Movement in rural areas.

THE AGRICULTURAL WHOLESALE. A Wholesale Society was started in Bombay in 1919 but it failed to work successfully. The reasons for its failure were many; there were practically no retail stores to give custom to the Wholesale; several were started only after the Wholesale had commenced work and experienced losses; the Wholesale was organised only in the inter-

ests of consumers and not to serve a double purpose—the sale of agricultural produce and the supply of the household requirements to consumers in towns and in rural areas. There is really a vicious circle indeed in this that a Wholesale cannot have much prospect of success unless there are a number of affiliated retail stores to give it the necessary backing of custom and that small retail stores cannot expect to succeed unless there is a wholesale society to make purchases on their behalf and distribute the articles advantageously. In other countries we find big wholesale societies doing business of crores of rupees every year and we find agricultural wholesales of one country supplying the needs of the consumers' wholesales of another country direct, thus effecting great economies by the elimination of the middlemen's profits. One failure need not deter co-operators in this country or this Presidency from trying once again; the story of the English C. W. S. is not a story of success right from the beginning; its ultimate success has been built up on the failures of two or three experiments. Co-operators here should do well to study the whole question of a Wholesale Society—an Agricultural Wholesale, and prepare and push through a well devised scheme for its organisation. Bengal has started a wholesale organisation for Jute, which is reported to be working well, and there is no reason why Bombay with its proud boast of having many non-official workers, several of whom are businessmen of repute, should not similarly have a Cotton Wholesale or what is better still a great Agricultural Wholesale. The task is undoubtedly difficult, but the fate of co-operative marketing, very important to agriculturists is bound up with it. It is the Wholesale which would do away with the outside control of the Control Committees in sale unions, which would be the great financing body for its constituent societies or unions and which can act as a great link between the Agricultural Producers' and the Consumers' Movement and enable the latter movement also to take root. It is not too much to hope that such a Wholesale will be started in this Presidency at no remote time and that co-operators, official and non-official alike, will bestir themselves betimes in this matter of vital importance, in the agricultural economy of this land.

CHAPTER V. CO-OPERATIVE COTTON SALE

BY

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Introductory. The Karnatak: General. Local markets and marketing systems. Co-operative sale movement. The Khandesh: General. Local markets and marketing systems. Co-operative sale movement. Gujarat: General. Local markets and marketing systems. Co-operative sale movement. Appendices.

CHAPTER V.

CO-OPERATIVE COTTON SALE

Introductory

The Bombay Presidency is one of the most important of the provinces of India for the production of cotton. The acreage under cotton in this Presidency is about 27 per cent. of the total acreage under cotton in the whole of India. The diversities of climatic conditions in its different regions enable it to grow many varieties of different grades of cottons, which gin from 23 to 37 and produce a yarn from 5 to 40 counts. The following statement will give an idea of the acreage under cotton and the total production in bales of 400 lbs. each.

Acreage and Outturn in the Bombay Presidency.

Region	Area in acres		Estimated Outturn in bales	
	British Districts	Indian States	British Districts	Indian States
Presidency Proper . .	44,81,000	21,60,000	8,45,000	5,14,000
Sind	2,59,000	12,000	68,000	4,000
<i>Total</i> . .	47,40,000	21,72,000	9,13,000	5,18,000
	69,12,000		14,81,000	

More than a dozen and a half varieties of cotton are grown over the whole area. These differ greatly in quality, staple and ginning and all these differences are reflected in the prices. The trade has classified all these on the staple basis under 7 main heads. Their trade names and area occupied by each of them with the actual production in bales, length of staple and approximate price can be seen from the following statement. The details of the area in each district will be found in Appendix I.

Trade Name of Variety	Area in acres	Outturn in bales	Length of staple	Description of staple	Price per candy (2 bales of 400 lbs. each)
					Rs.
Dhollera . . .	20,38,237	5,06,845	$\frac{5}{8} - \frac{6}{8}$	Good	354
Broach . . .	6,99,317	1,47,913	$\frac{5}{8} - \frac{7}{8}$	Good	} 361 to 437
			$\frac{7}{8} - 1\frac{1}{8}$	Good	
Khandesh . . .	14,43,646	2,87,664	$\frac{3}{8} - \frac{6}{8}$	Fair	320
Barsi and Nagar .	4,47,359	77,950	$\frac{3}{8} - \frac{6}{8}$	Fair	320
Kumpta-Dharwar	16,86,511	2,89,807	$\frac{5}{8} - \frac{7}{8}$	Good	366
Westerns . . .	3,25,266	48,807	$\frac{5}{8} - \frac{7}{8}$	Good	350
Sindhi	2,71,304	72,460	$\frac{3}{8} - \frac{4}{8}$	Short and Rough	285

The above figures will give an idea of the importance of this crop and its value to both the cultivators and the middlemen, and the traders and the consumers and will show how it has been designated as 'King Crop' in the United States of America and equally so in India and in the Bombay Presidency.

In the past, before mills, ginning factories and railways came in, the usual practice was to gin the crop in the villages or taluka towns or big trade centres. The cultivator was not so keen about its disposal, as to lose time in going to long distances, neglecting the whole field operations; transport and communications were very primitive; and the trade was thus mainly in the hands of the village dealers and merchants at market centres. These practices continued sometime even after the introduction of railways at several centres in 1877, and the trade remained practically in the hands of the moneyed and intelligent class. With the increase in transport facilities afforded by railways and with the consequent advent of gins, presses and mills in larger numbers, the trade passed more and more into the hands of foreign companies and their agents in different places all over the cotton area. The practices that had been introduced and had continued for a long time however continued to mark the organisation of marketing even then. These practices, originally sound enough to a large extent, became corrupt soon after the establishment of competitive conditions, and the marketing system came to be disfigured with numerous malpractices. The blame for this however cannot be thrown on the merchants only; both sides must to a smaller or greater extent share the blame. The general impression is that the merchants have been largely responsible for these malpractices; but one has

to take into consideration several details of the cotton trade, the prices of cotton being dependent on the world-markets. The cotton trade is a very speculative one and risks are very considerable, and it has not been so far exactly ascertained how far the seeming unfair practices are due to this element of great risks shouldered by the merchants. It is well known, the Indian cultivator has neither the time nor the ability to study these intricate questions of the cotton trade and to organise themselves; unless therefore the State and its Departments come to the rescue of the cotton growers, remedies for the situation, such as pooling the produce or co-operative organisation for sale of cotton would not be possible. In the Bombay Presidency, it is mainly through the efforts of the Agricultural Department that the importance of a proper system of marketing was realised, the malpractices were detected and co-operative organisations for sale of cotton were brought into existence in different divisions to remedy the defects.

The progress of the co-operative sale of cotton has been set forth in the following pages for the three chief cotton areas of the Presidency—(i) The Karnatak, (ii) The Khandesh and (iii) Gujarat.

I.

The Karnatak

GENERAL. The Karnatak, including the Indian States in the neighbourhood, devotes a very large area to cotton and is one of the prominent divisions of the Bombay Presidency producing and supplying mills with staple cotton. It is the chief money crop of the cultivators in the Karnatak. The average area for the past ten years and production in the different districts of the Division are shown in the following statement :—

District	Area under cotton in acres	Outturn in bales (400 lbs.)
Dharwar	6,37,973	1,40,029
Belgaum	2,36,935	40,033
Bijapur	6,05,002	85,937
Karnatak States (Kolhapur and others)	2,39,465	32,412
<i>Total</i> .	17,19,375	2,98,411

The varieties of cotton grown principally are two—(i) Kumpta (*G. Herbaceum*) and (ii) Dharwar—American (mixture of New Orleans—*G. Mixicanum*—and upland—*G. Hirsutum*—the former

predominating). The Dharwar-American occupies only 16 per cent. of the total cotton area (2,50,000 acres, producing 60,000 bales), whilst the Kumpta occupies the major portion. During the last 12 years, the efforts of the Agricultural Department brought forth selections in the above under the name of Dharwar No. 1 and Gadag No. 1 (the former a selection in Kumpta and the latter, a selection in Upland). These have now occupied a greater area side by side and the following statement will reveal the different characteristics of each type :—

Variety	Ginning percentage	Length of staple	Valuation per candy (Broach-290)
			Rs.
Local Kumpta	25 to 27	$\frac{7}{8}$ "	310
Dharwar No. 1 (Improved Strain)	27 to 29	1" full	320
Dharwar American . . .	28 to 30	$\frac{5}{8}$ "	290
Gadag, No. 1 (Improved Strain)	30 to 36	$\frac{6}{8}$ "—1"	300

LOCAL MARKETS AND MARKETING SYSTEMS.

In the Karnatak, there are markets distributed over a large area, and at very long distances from the main villages and besides, the markets are really few in number as compared with the area and extent of cultivation. Cotton picking commences from February and the produce is carted as Seed Cotton or *Kapas* in *Dokras* from the villages from February to May and even later. The usual practices in the matter of disposing of the cotton, adopted by the cultivators, are :—

- (i) Disposal of standing crop in the field.
- (ii) Disposal of *Kapas* in their own village.
- (iii) Disposal of *Kapas* by carting it to the market.

The percentage of crop handled by each of the above methods varies a good deal according to local circumstances and rates in different quinquennial periods. Under the present circumstances, the percentages are as under :—

- 1st Method :—5 per cent.
- 2nd Method :—10 per cent.
- 3rd Method :—85 per cent.

Each method has advantages and disadvantages. But in general it is found that the first method is not at all profitable, the cultivator losing a good deal thereby. The second method saves to the cultivator the time required for carting the produce, but the lack of competition among buyers and the lack of realisation of the benefits of actual ginning percentage makes it very doubtful if he realises as good prices as in the market. The third method is probably better than the other two and the cultivators are comparatively benefited. But in the absence of exact facts and figures, the proportionate losses or gains to the cultivators in the different methods cannot be given in actual figures. It will have been seen thus that the bulk of the produce is being sent by the cultivators to local markets and it would be desirable to give an idea of the actual practices adopted there and the prices obtained, before any improvements therein could be profitably discussed.

According to current practice, then, the cultivator sends his produce to the shop of the *Dalal* who has been financing him probably throughout the season. The *Dalal* or the *Adatya* is thus not only the agent of the cultivator but at the same time he is also his financier or banker. Every *Dalal*'s shop is generally a Bank, a godown and what not. The method of treating the produce by the *Dalal* after its receipt by him at the shop is generally as under :—

The produce of each cultivator arrives in two or three consignments at different periods of the season from February to June. The seed-cotton arrives in *Dokras*. These *Dokras* are weighed, marked and the weights are noted in the name of the owner-cultivator. Weighing is however not done in the presence of the owner, nor does the disposal take place in his presence, the owner after delivering the *kapas* returning home with a chit, whereon have been noted the weights of the seed-cotton. The produce is mixed with that of the other cultivators and whole lots are disposed of either daily or once in three days, unless otherwise specially instructed. The former practice is common in the bigger markets and the latter in smaller ones. The *Dalal* is responsible for all transactions from the delivery of the cotton to its sale, recovery of money and final payment to the cultivator.

The cotton buyers are generally mill-owners and export traders—middlemen, who are moneyed people doing business in big lots. They make their calculations of rates of cotton on the basis of the Bombay and foreign market quotations, with which they are in close touch. The rates thus settled for the day do not tally with

those of the Bombay market for that day and also vary a good deal according to the demand in the market, greater demand leading to the market rising.

The godowns of the Dalals are visited by the buyers sometime during the day and the bid is offered by each separately for the whole or for separate lots. The produce is sold to the highest bidder. *The buyers have been found not to make any distinction as regards the ginning percentage or quality of different lots, except in some cases where the cotton comes from special villages in sufficiently big lots.* When once the produce is sold, the next operation is weighing, which is done by the Dalals, when the owner-cultivators of the lot are generally not present. After weighing, a regular *Patti* is made in which the following items are shown :—

- (i) Number of *Dokras*
- (ii) Weight of *Dokras*
- (iii) Price of the *Kapas*, calculated at the rate sold
- (iv) *Dalali* or commission
- (v) *Dharmadaya* or charity
- (vi) *Hamali* or handling charges
- (vii) Other deductions as samples.

After deducting the *dharmadaya*, *hamali*, commission etc., the remaining amount is handed over to the owner less any amounts he might have borrowed. The system clearly shows what little advantage the cultivator can derive from a better quality or a better market. In June 1917, Mr. G. F. Keatinge, the then Director of Agriculture, Bombay Presidency, described the disadvantages of the local system from the point of view of the cultivator in an article in the Bombay Co-operative Quarterly as under :—

“Now from the cultivators’ point of view, these arrangements have many defects, which are usually stated as follows :—

“The cultivator has to depend entirely upon the honesty of the Dalal and his servants for the accuracy of the weighments, the settlement of the price and its payment to him in full ; and it is common for cultivators and others to assert that frauds are often committed at the expense of the cultivator, and that in extreme cases, the cultivator is credited with only a quarter of the cotton that he actually brings to the market. It is by no means contended that all Dalals are dishonest ; but the fact remains that the system allows ample opportunity for fraud.

“The *Dalal* admittedly makes the following charges for selling a *Naga* (1,344 lbs.) of seed-cotton :—

From the buyer . . .	Re. 1-0-0	} This is taken by the <i>Dalal</i> as <i>Dalali</i>
From the cultivator . . .	„ 1-0-0	
From the cultivator . . .	„ 0-6-0	Given to <i>Hamals</i>
From the cultivator . . .	„ 0-1-6	Given as Charity

and sometimes there is a small additional charge made to the cultivators in the interests of some object of public utility, e.g. the Pinjrapole. Thus both the buyer and the seller pay Rs. 2-0-0, but since the price of the seed-cotton is settled with reference to the current price of clean cotton in Bombay, it is on the cultivator that the full charges of Rs. 2-8-0 per *Naga* really fall.

“In addition to this, a deduction of 14 lbs. per *Dokra* is made as an allowance for the tare weight of the sacking, though this latter usually weighs only 6 to 9 lbs. and if rain falls, the deduction goes up to 30 lbs. on this account. A further deduction of 2 lbs. per *Dokra* is made for sample purposes, (this sample allowance is given to the buyer), and in some cases a charge for insurance. The net result is that the cultivator has to pay as ordinary market charges about Rs. 6-8-0 for each *Naga* of cotton. It may be argued that a deduction for the weight of the sacking is necessary. This is true up to a certain point; but the cultivator has to pay for the sacking and gets no allowance for its value, on the sale of his cotton.

“Now these charges may or may not be fair. That is not the point at present under consideration. Many cultivators think that they are not fairly treated. Why then do they put themselves so completely into the hands of the Dalal? The answer is that they have no alternative, and for the following reasons :—

(a) Most of the cultivators are ignorant of business methods, many are incapable of checking weighments, and few are capable of calculating prices.

(b) The individual cultivator brings in small lots of cotton to the market, while the buyers want to buy big lots. A Dalal or commission agent is therefore necessary to put the two in touch with each other.

(c) The Dalal advances money to cultivators against their crop, making it a condition that the latter will market their cotton through him.

(d) The Dalal advances sacking to the cultivators on the same conditions.”

From the system described above, one can very well realise the small chance the cultivator has to obtain proper price for his

produce. The malpractices were detected by the Agricultural Department, when they introduced new varieties like Broach and Cambodia Cottons. From 1906 onwards, the Department found that these two varieties were successful in some of the tracts and were more paying to the cultivators because of a higher ginning percentage and a better quality than that of the locally grown Kumpta and Dharwar-American. When the area under these varieties extended, there came in the idea of organising auction sales by pooling the cotton of cultivators who grew these varieties. The advantages were that they would get better prices for the higher ginning percentage and the better quality of their produce and at the same time, the Department could collect the seed and distribute it to a larger area. From the year 1910 to the introduction of the co-operative sale movement in 1917 these auctions were organised by the Agricultural Department. In consultation with the Trade, grades were introduced according to ginning percentages in both the varieties. The following statement will show the grades that were introduced and the resulting advantage in money-value.

Class	Ginning Percentage		Outturn of Lint per <i>Naga</i> of Broach variety in Maunds and lbs.	Excess of Lint over the last grade in lbs.	Value of the difference at Rs. 180 per <i>Naga</i> over the last grade in Rs.
	Broach	Cambodia			
1	2	3	4	5	6
Special	34 and	36 and	16— 8	53	30 0 0
I	33	35.5	15—23	40	22 8 0
II	32	35	15—10	27	15 0 0
III	32	34.5	14—24	13	7 8 0
IV	30	33.5	14—11	—	—
Local Kumpta	26	—	12—12	—	—
Local Dharwar- American	—	30.0	14—11	—	—

Note: The figures in Columns 4, 5 and 6 relate to Broach only.

Weights used:—28 lbs. = 1 Maund

48 Mds.=1 *Naga* of *Kapas* (Seed-cotton)

12 Mds.=1 *Naga* of Lint

Column 6 shows how much a cultivator was losing on account of not grading his cotton. Besides the advantage of grading in

these auction sales, the cotton being collected at one place in large quantities received the benefit of quality and for every Naga the gain in quality varied from Rs. 5 to Rs. 15. The progress of these auction sales was remarkable and they reached Rs. 10,00,000 in 1917 when the work was transferred to Co-operative Sale Organisations of which the Sale Societies organised at Hubli and Gadag were the pioneers.

In the meanwhile, when the work was being transferred to Co-operative Sale Societies, the Agricultural Department, after some years of breeding work evolved two strains, (Dharwar No. 1 and Gadag No. 1) of superior quality. The produce of these two strains was arranged to be marketed through the Co-operative Sale Societies which were since then organised. The area under each of these two strains, increased from 900 acres in 1916-17 and 500 acres in 1917-18 respectively to 1 lac acres and above each in 1925-26.

Co-operative Sale Movement

The co-operative sale movement had thus its origin from the auction sales managed by the Agricultural Department from 1910 to 1916. These auction sales showed great benefits both to the cultivators and buyers, though all the evils could not be fully remedied. Hence the ex-Director of Agriculture, Mr. Keatinge transferred the work of the auction sales to the Co-operative Sale Societies of Gadag and Hubli, which were started in 1917. The main objects of these institutions and benefits to member-cultivators and buyers are summarised as under :—

I. *Main objects :*

- (i) To arrange to obtain better prices of cotton for cultivators from the two points—(a) grading and (b) quality.
- (ii) To remedy some of the malpractices that were found in the local system.
- (iii) To arrange for supply of good seed.

II. *Benefits :* A—to member-cultivators :

- (i) Advances on the security of cotton deposited with the Cotton Sale Society.
- (ii) Weighment made in their presence and a receipt passed.
- (iii) Adequate and higher prices realised by auction method.
- (iv) Bonus and dividend on their number of *Dokras* sold and on the share amount.

B—to buyers :

- (i) Superior quality of cotton in big lots.
- (ii) Proper grading.
- (iii) Correct weights.

The principles of organisation are the same as those of a co-operative credit society in point of management, general meetings and board of management. But as regards members, loans to members and finance of the sale society, the working is as under :

- (i) Member : Any cotton grower in the area of operations can become a member of the sale society provided he purchases a *share* and his application is approved of by the Managing Committee who only look to *loyalty*. Any credit society can become a member.

- (ii) Loans to Members :

The Sale Society arranges to advance loans to its members on the following basis :

(1) On actual produce deposited with the Sale Society—50 per cent. of the market value.

(2) On the standing crop of cotton on the joint liability system through credit society, Rs. 16 per acre, the cost of cultivation.

- (iii) Finance of the Sale Society :

The Sale Society of Gadag has a credit of Rs. 1½ lacs with the Bank and when the produce from members arrives, the Sale Society being affiliated to Karnatak Central and Hubli Urban Banks, gets a maximum credit up to Rs. 400,000 on the actual produce deposited.

As regards the actual method of the sale, the following principles are adopted :

- (i) On delivery, the *Kapas* is weighed in the presence of cultivators.
- (ii) Samples are taken from *Dokras* and ginning percentage tested for each *Dokra* or average of the owner's lot and those are classed in different lots. The following gradation in the new strains has been adopted after mutual consultation amongst the trade officers of the Agricultural and Co-operative Departments.

Description of Kapas	Ginning Percentage	QUALITY		Class
		Clean	Ordinary	
Dharwar No. 1.	29 and above	Clean	Ordinary	I
	26-28	do.	do.	II
Gadag No. 1.	34-36	do.	do.	Special
	32-34	do.	do.	I
	30-32	do.	do.	II
	below	do.	do.	III

In addition to ginning percentage the quality question is also looked to and it is classed as clean and ordinary.

- (iii) When a sufficient number of *Dokras* received either from members or non-members are collected the date of auction is declared and the buyers are informed. The conditions as laid down are given in Appendix II to this note.

On these bases, the two Sale Societies organised at Hubli and Gadag commenced their work from 1917 and during the last 11 years, the number of such Sale Societies has increased to eight. The transactions from the beginning of the Hubli Co-operative Sale Society under able management and the progress of the Society from year to year have been shown in Appendix III. The Society has been to attract 15 per cent. of the produce that comes into the market and has benefited cultivators in their marketing to the extent of the extra profit of Rs. 3,30,000 made by it. This is however not the only gain. The supply of good seed has resulted in increased yield per acre, besides the fact that the moral status of the members has been also considerably enhanced.

Similar is the tale of progress of the Gadag Co-operative Cotton Sale Society. The progress of these two and other cotton sale societies during the last ten years has been greatly encouraging as will be seen from the following statement :

1926—27.

S. No.	Name of Society	No. of Members	Share Capital in Rs.	No. of <i>Dokras</i> sold	Value of cotton sold in Rs.
1	Hubli	2,450	16,420	18,150	8,82,266
2	Gadag	1,610	42,310	8,496	4,26,632
3	Dharwar	212	3,605	90	8,000
4	Annigeri	154	2,066	866	37,743
5	Haveri	554	6,510	620	32,000
6	Bijapur	136	2,495	2,210	72,308
7	Bagalkot	226	4,670	927	43,000
8	Bail-Hongal	214	2,750	5,204	2,08,032

1927—28.

S. No.	Name of Society	No. of Members	Share capital in Rs.	No. of <i>Dokras</i> sold	Value of cotton sold in Rs.
1	Hubli . . .	2,516	16,772	17,164	9,24,644
2	Gadag . . .	1,989	43,454	13,586	8,66,979
3	Haveri . . .	694	7,240	1,940	1,05,061
4	Bijapur . .	165	2,680	1,673	1,05,852
5	Bagalkot . .	230	4,845	567	36,111
6	Bail-Hongal .	214	2,750	7,314	4,40,000
7	Dharwar . . }	Figures are not available.			
8	Annigeri . . }				

In addition to the actual sale of cotton, the big Sale Societies like Hubli and Gadag have made arrangements to open Depots and to supply the seed of the pure strains and of local cotton to cultivators in large quantities.

During the last ten years there arose several difficult questions as regards membership, finance etc. of these sale societies, but at Provincial Co-operative Conferences, with the help and advice of both Departments, Co-operative and Agricultural, as well as of co-operative leaders and workers, such questions have been solved to the satisfaction of the members.

It may be noted that in the actual working of these Sale Societies, the Cotton Superintendent and his subordinate staff from the Agricultural Department and the Agricultu-

ral Organizer of the Co-operative Department have been of immense help in the grading of the cotton and the organisation of sales without any cost to any of the Societies themselves.

II.

The Khandesh

GENERAL. The Khandesh tract devotes a very large area to cotton which is the chief crop which supplies money to cultivators as in the Karnatak or even perhaps in a greater degree. The average area for the past ten years under cotton in the two Districts and outturn stood as under :

District	Area in acres under cotton	Outturn in Bales (400 lbs.)
(1) East Khandesh	8,88,659	1,70,577
(2) West Khandesh	4,41,587	67,698

The variety of cotton grown in these two districts except the Nawapur Taluka which grows Broach Cotton is a mixture mainly of the Neglectum types. There is a small mixture of American Cotton also. The following statement will show the ginning percentage, valuation both by local merchants and mill-owners and the spinning quality of each of the types :

Name of the type	Ginning	VALUATION		Spinning quality
		Local Merchants (per Md. of 144 lbs.)	Mills (784 lbs. lint)	
		Rs.	Rs.	
N. R. . .	37·4	21	280	} Suitable for spinning 10/S warp and 16/S weft.
N. RC' . .	36·3	20	272	
N. V. . .	27·1	18·8	320	} Suitable for spinning 20/S warp and 28/S weft.
N. V. M. .	25·1	18·0	277	
Khandesh Local Mixture .	33·33	18·8	262	} Suitable for spinning 10/S to 12/S warp and 16/S weft.

* The mixture of all these types which is known as the Khandesh local is described by trade as under :

“Khandesh Cottons go under the trade name of Oomras and their description is as under :

These represent the lowest grade of Oomras and are grown on the whole area of Khandesh, Ahmednagar, Sholapur and the adjoining tracts. The ginning percentage varies from 33 to 38 and the staple is $\frac{1}{8}$ of an inch less than the Berar Cotton being from $\frac{4}{8}$ to $\frac{5}{8}$ inch. The variety can spin 8-12 Counts. It is generally used in Indian Mills for mixing with long stapled cottons and in Germany for mixing with wool. It is a variety more meant for export.”

The Agricultural Department, since it started its work of improvement in the year 1905-06 in Khandesh, separated these types and placed in the hands of cultivators one type—the N. R.—which was found to pay cultivators on an average Rs. 7/- per acre more, owing to higher ginning and other qualities such as drought resistance, earliness etc. In several of the Talukas vast areas are found under N. R. with very little mixture during the last 20 years. From 1921-22 the attention of the Department was directed towards breeding a strain having a better staple and yet a higher ginning percentage and recent attempts in that direction have resulted within the last two years in the experimentation of a new strain Dhulia No. 1 which is being tested on cultivators' fields.

Local Markets and Marketing Systems

In the Khandesh there are in all 45 markets, the greater number being in East Khandesh. These are very well distributed over a large area which grows cotton. Cotton picking commences from October and lasts till December and the produce is transported as seed-cotton in open carts from villages to markets for sale during these months. There are only two ways in which cultivators try to dispose off their produce. These are :

(i) The seed-cotton is sold to the merchant at the village soon after it is picked and ready in sufficient lot for being disposed off.

(ii) The seed-cotton is carted to the market centre, where the same is disposed off through the Dalal. In very few cases the seed-cotton is ginned and lint sold by cultivators. Though the number of markets is large and well distributed throughout the tract, it has been found that very few cultivators bring their produce for sale to good market centres. The practice adopted by a majority of cultivators is to dispose off their produce at the villages. These village purchasers or petty cotton merchants are

the main constituents of the market. Investigations made in this connection by the Indian Cotton Committee in 1925-26 corroborate these observations from the following statement :

Disposal System	No. of Cultivators	Quantity of Produce (lbs.)	Percentage of	
			Cultivators	Produce
(1) At Villages .	700	15,63,297	87.5	75
(2) At Market Places . .	100	4,00,016	22.5	25

Very little proof is there to show comparatively whether the cultivator loses by disposing off his produce at villages today in comparison with the disposal at the market. But the reasons as put forth in favour of disposal at villages are somewhat as under :

(1) The Khandesh cultivator cannot spare his time and bullocks to cart the produce to the more central and comparatively more distant markets owing to heavy pressure of work such as the preparation of land and sowing of Rabi crops at this very time.

(2) At the market centres the cultivator is always afraid of *Vānda* i.e. disputes and himself not being of sufficiently strong nerve, he is unable to bear the possible strain.

The method of actual sale of cotton both at the villages and at market centres is as under :

(1) *At the village* : The merchant is shown the produce through a village Dalal from house to house and the rates are declared by the merchants. The cultivator is asked whether he accepts the rate and when the rate is accepted, the weighment of produce is done by the village Dalal. The balance and weights used in many cases are found to belong to the village. The produce is carted by the merchants and the amount is paid either on the same day (in very rare cases) or after 2 to 8 days. The only deductions are those for the village Dalal and these amount to Annas 4 to Annas 8 per 480 Seers.

Recently owing to motor transport having well developed at many centres, the villagers are able to be in touch with the daily rates and actual market conditions and this helps them to decide the bargains much better than before.

(2) *At market places* : In market centres, the daily rate is declared by merchants and firms openly and when this is done, bidding commences for carts. The cultivator is not left in the dark as to the Bombay rates ; but no arrangement is made to post these rates.

The system of sales everywhere is much the same. Carts collect in the early morning and the respective dalals show samples to merchants, bids are made *under cover* and the sellers accept a rate. No memorandum is given to the seller at this stage. The carts are then removed to the various ginning factories and weighing takes place. *After this comes the real bargaining.* Now a memorandum of the weight and the rate is given and the cultivator is accordingly paid on the same day. Discounts are claimed on the grounds that the cotton is not up to the sample, or is damp or has a low ginning percentage. Such claims are made *after* weighing has begun and usually the *cultivator has no option* but to accept the new rate. This allowance, varying from 1 to 1½ per cent., is squeezed out of the cultivator by the buyer. Besides this, there are the following charges :

- (i) Weighing.
- (ii) *Hamali* (handling charges).
- (iii) Commission.
- (iv) Panjrapole.
- (v) Dharmadai (charity).

These allowances vary from Annas 12 to Rs. 2/- on cotton weighing from 432 to 792 Seers in a cart. These do not seem so unreasonable as in Karnatak.

There are two important points in the Khandesh markets which are worth noting as when compared with those in the Karnatak :

- (i) The Brokers or Dalals or Commission Agents are not the Bankers or *sowcars* of cultivators.
- (ii) The weighing, rate, etc., are settled in the presence of the cultivator and money is paid up on the same day.

The situation as described above exists today, but before 1915-16 when the Co-operative Sale Movement started in Khandesh, it was reported that the village marketing was not as sound as it is today and there were too many tradesmen. Both at villages and at market places, the produce now fetches a better price as full allowance is made for ginning percentage or cleanliness or both. Formerly, villagers had not their own weights and balances and they solely depended upon the merchants' balances, weights, measures and rates. Similarly, for want of rapid communications, the villagers could not get to know the Bazar rates daily. The present improvement in village-marketing is mainly due to the following two reasons :

(i) Higher prices, realised for cotton from 1917 onwards, made the cultivators wiser for a shortage of 1 Seer Cotton was valued at Re. 1-8-0 at the then prices.

(ii) The drop of prices in 1919 and 1920 from Re. 1-2-0 per seer of seed cotton to 5 annas and the postponement of payment by several merchants as also total non-payment by several others made the cultivator at the villages see the dangers ahead and hence become more careful.

There is no regular record to enable us to determine clearly even in 1915-16 whether the system of marketing was as bad as or worse than that in the Karnatak. The only flaw reported and detected was about the "weighment" at the villages. Even today it is very difficult to say whether the local system of sale both at the villages and the markets is faulty and whether the cultivator loses a good deal. The Indian Central Cotton Committee, Bombay, has this subject under study and no final conclusions have been drawn as yet. But it is found that a majority of people do realise the usual market rate. The system in Khandesh when compared with that in the Karnatak is thus superior in many respects.

Co-operative Sale Movement

In Khandesh, this movement was started in 1916-17 and two Sale Societies were started—one at Chalisgaon and the other at Pachora. The main objects of these Societies were :

- (1) Correct weighment
- (2) Better price and
- (3) to cut out the unnecessary middlemen.

Owing to these three improvements the members were largely benefited. As regards better prices, more bidders being available, the members used to get the benefit of competition. The general organisation was the same as those of a co-operative credit society in point of management, general meetings and board of management. But with regard to actual working, membership, finance and loans, the system was different from that followed in the Karnatak.

(1) *Members.* Any cotton grower or even a petty merchant who possessed lands could become a member of the sale society provided he took a share.

(2) *Loans.* No loans were advanced and there was no necessity as the cotton was disposed off on the same day and money paid immediately.

The working of the Sale Society was somewhat after the Berar Market System.

(1) *The produce*: Produce was allowed both from members and non-members. The only difference made was with regard to commission charges. The charges for non-members were a few annas more than those for the members.

(2) The society had its own weighbridge fixed in a special compound in which carts were allowed to collect in the morning.

(3) The society had their own *Dalal* to whom the bargain or "Makata" was auctioned for the year and he was responsible for the actual cash payment.

(4) The society used to get Bombay Rates by wire. On receipt of the wire, the merchants used to gather and were shown the material in the carts. After the price was settled and accepted by the cultivator the bargain was finally struck.

(5) When all the carts were thus disposed off, the cotton was weighed on the society's balance, weights recorded and the carts were allowed to go to different gins as instructed by merchants.

(6) The *chit* of weighment with price and deductions was prepared.

(7) The cultivator got the cash on the same day after the usual deduction of commission.

On these bases the Co-operative Sale Societies started their work. The Agricultural Organiser specially appointed by the Co-operative Department helped these societies, but the management was in the hands of local men.

From 1916-17 to 1918-19 the number of these Co-operative Sale Societies rose from 2 to 7. The progress of the work of these different societies from year to year can very well be seen from Appendix IV.

It will thus be seen that the societies developed work not strictly on *co-operative lines* and increased in number. Difficulties came up. Merchants combined together and did not offer good prices as were expected. The then Registrar Mr. R. B. Ewbank, I.C.S. visited the six sale societies and his report about the then situation drew attention to many points. These are set forth below as they appeared in Bombay Co-operative Quarterly of March 1920:

"I. The Registrar has visited six co-operative Cotton Sale Societies during November and finds that none of them are working satisfactorily for the following reasons:

(1) Only a few petty local dealers come to the auctions. No outside buyers attend. The auctions are therefore in fact a farce.

The telegrams showing the daily Bombay cotton rates are useless. The local dealers form a ring and dictate their own prices. The society does little but ensure honest weighment. To counteract this, dealers often offer lower prices at the Society's auction than they offer in the village where they can arrange the weighment in their own way.

(2) The power of the petty local dealers arises from the three facts :

(a) Although all Bombay cotton buying firms have been specially begged to assist this experiment in purifying the market, not a single outside buyer of kapas has yet appeared in any auction organised by a Co-operative Society in Khandesh. They are unwilling to buy *kachha* kapas. They insist on buying *pukka* cotton only (with the exception of a single firm which buys a little *kachha* cotton) and thereby force the small cultivators into the hands of the petty local merchants and gin-owners for the sale of their kapas.

(b) The gin-owners have formed a combination amongst themselves—known as "A joint". For instance, at Pachora, there are six gins owned by Goculdas Madavji (big gin), (2) Ratansi, (3) Bachraj (4) Govindji Viram, (5) Shola Koti, (6) Taniram Ananda. Owing to the "joint", the cost of ginning cotton per *palla* has been nearly doubled since last year ; moreover, two of the gins have been closed (including the big gin). The remaining four gins are quite inadequate at present to deal with the enormous quantity of cotton that is being brought into Pachora in this bumper year. Similar conditions prevail elsewhere. The consequence is, the big gin-wallas, as is natural, favour their own regular customers, the petty local dealers and are unable to gin the cotton of individual ryots separately. Thus again, if the ryots want to realise the price of their crop within a reasonable time, they are thrown into the arms of the local dealers who alone can buy the cotton on the spot and arrange for its early ginning and sale.

(c) Cultivators who receive advances for the cultivation and picking of a cotton crop from local dealers are quite rightly required to sell their crop through those local dealers.

(3) The sale societies are not required to help purchasers by any scientific classification since the cotton is fairly uniform, and need simply be classed as clean and dirty and as 1st, 2nd or 3rd picking. Their usefulness to the small buyer is, therefore, very limited. To the big outside buyer, if he was prepared to buy *kachha* kapas, they might be very useful since they would bring him directly in touch with the producer and enable him to avoid the mixing and adultera-

tion that is so frequent among the small local dealers ; but in the absence of outside buyers, they fail, of course, in this function also.

II. The Registrar suggests the following course as the best remedy for the present difficulties :

(1) As many co-operative Credit Societies as possible should be started in the neighbourhood of the Cotton Sale Societies in order to finance cultivators for the expenses of growing cotton and to make them independent in their disposal of it. These advances should be made on condition that the cotton grown is sold through the agency of the Cotton Sale Societies if so required by them. Advances should be made for picking the cotton, and also in cases where it is being separately ginned by the ryot himself, advances may be made against the cotton brought to the gin until it is actually sold.

(2) Special efforts should be made to induce people to set up small gins in their villages. The Registrar does not believe that co-operators have yet reached the stage of being able to control a full-sized commercial gin themselves. The following points should be attended to.

(i) An Oil Engine and 3 gins would be sufficient in most villages.

(ii) In addition, a chaff-cutter or a grinding machine should be bought and should be employed on the Engine during the off season.

(iii) The Gin Oil Engine and Gin should in no case be run by the Society. Experience shows that committees rarely manage running machinery satisfactorily. It should be owned jointly by 2 or 3 leading ryots, or individually by a single one. The cost would be Rs. 5,000 to Rs. 7,000. If half the cost is raised from the owners, the remaining half can be obtained through their local credit society from a Central Bank without difficulty. Orders for Engines may be sent through the Registrar who will try to secure a special trade commission.

(iv) A competent fitter should be obtained and may be sent to the annual class held by the Agricultural Engineer at Poona for training.

(v) The advantage of a small local gin for keeping N. R. and other improved strains of seed pure may be impressed on cultivators.

The result of this arrangement would be to protect the cultivator. If he is free from any obligation to deal with the local petty dealer, and if he always has the alternative of getting his

kapas ginned separately and sold direct as pakka cotton to the big buyers, he will no longer be so entirely at the mercy of the local dealers as he is now.

(3) The auction system may be abandoned where there are no constant outside buyers. The societies will simply guarantee true weighment, register all sales, advise cultivators as to whether the price offered is fair and see to cash payment through the dalal. The Societies should also try to put up sheds for the protection of cotton and to buy tarpaulins as soon as funds allow.

(4) It should be borne in mind that what Khandesh cultivators mainly want is cash payment on the day on which they bring their cotton to the market, and payment at the rate prevailing on the day when they bring their cotton. "They very rarely show any speculative spirit and prefer immediate certainty of payment, even though this may entail a considerable loss to them. They also ordinarily prefer to sell their cotton separately and object to have it lumped with similar cotton belonging to other cultivators and sold in bulk. These sentiments cannot be disregarded. Before advising cultivators to set up gins they should be reminded that it means about 6 weeks' delay in realization and exposes them to the normal risks of fluctuations in prices. Only the more substantial and progressive men will probably accept these conditions at first. These are the sort of men who alone for the next few years may be assisted in setting up their own gins".

Since then, however, only Pachora remained working and is still working exactly on the principles mentioned and the progress of work is as shown in Appendix V to this note.

It will thus be seen that in the Khandesh the Co-operative Sale movement has not made much progress as it has done in the Karnataka.

III.

Gujarat

GENERAL. Gujarat as a whole is a big division and hence it is divided into North and South Gujarat for the sake of cotton work, mainly from the point of view of the varieties grown in these two Divisions. As the main work of co-operative sale of cotton is in South Gujarat, in the present note the observations and information are restricted to South Gujarat and North Gujarat has been completely omitted. Equally important like Khandesh and Karnataka, the crop has value to cultivators from the monetary point of

view. The following statement gives an average for the last 10 years of acreage and production :

Name of District	Acreage under crop	Outturn in bales
Surat	1,54,628	36,076
Broach	2,97,357	70,058
Kaira	90,786	16,888

The variety grown is G. Herbaceum and is known as Broach in trade and this is common to the whole of South Gujarat. This variety has some sub-types ; about 40 years ago a sub-type known as Ghoghari was introduced which had rough staple and high ginning outturn and this variety has ousted the old Broach type in some localities ; practically it is common now in the Broach District ; but in the southern part of the country roundabout Surat and Navsari the old type is yet prevalent and due to this reason as well as climatic conditions the cotton at Surat and Navsari is the best in quality and fetches Rs. 75/- to Rs. 100/- per candy more than Broach. The following description will give an idea :

Name of variety	Ginning percentage	Length of staple in inches	Variation in Rs.	Remarks
* (1) Surat-Broach . . .	33	1"	75	Basis of Broach
(2) Ghoghari	37	$\frac{1}{2}$ " to $\frac{3}{4}$ "	Basis	
(3) New strain	33	1"	75	

The variety goes under one trade name as Broach in Bombay but differs in quality very greatly in different districts which affects the usual valuations and the difference is as great as Rs. 75/- to Rs. 100/- per candy. The best cotton which fetches the highest price is grown round about Navsari and the difference is about Rs. 100/- more per candy than the Broach grown cotton.

* This old type is now practically extinct and in its place strain No. 1027-A has been established in Surat and Navsari; and in Broach, Ghoghari has taken its place. The present Broach rates are practically Ghoghari rates.

Local Markets and Marketing Systems

There are 14 main markets and several other small centres, of gins, presses and factories, where the produce is collected. The number of the latter is greater and well distributed in the tract within easy reach of cultivators as in the Khandesh or in some cases better. The total number of such centres, small and big is more than 50. Cotton picking commences from January and the marketing goes on from January to May according to season. As a general rule cultivators sell the produce as seed-cotton which is carted in carts packed in thick cloth chaddars. Practically no cultivators have been found to sell the produce after ginning.

The usual practice adopted for disposal of the produce by cultivators is to sell it in their own villages. The Dalals of different ginning and pressing factories and merchants run down to villages for purchasing seed-cotton. The sample is seen and the bargain is settled by the cultivators. The cultivators do not grade their produce, except when it is attacked with Boll-worm, but being intelligent, are always in touch with the trend of the market and do not settle the bargain off-hand. The weighments after transaction are done at the gin-factories on weighbridge or platform-weighing machine. But every cultivator when he puts his seed-cotton in the cart, weighs it before sending it to the ginning factory. The carting arrangement after bargaining at the villages is done by cultivators in Surat District and in Broach by the purchaser. No payments are made when the bargain is made; but when the cotton is weighed, the money is paid after making deductions for Dharmada, Panjrapole etc. The rates are settled in Rupees per Bhar which varies from 924 lbs. to 1024 lbs. in different parts of the Surat-Broach tract. The following deductions are made and recovered from purchaser or seller :

(1) Brokerage . . .	Rs. 0-12-0 to Rs. 1-0-0 per bale
(2) Dharmada } . . .	„ 0- 1-0 „ 0-2-0 „
(3) Panjrapole } . . .	„ 0- 1-0 „ 0-2-0 „
<i>Total</i> Rs. 0-13-0 to Rs. 1-2-0	

In addition to this practice, forward sales are also common amongst cultivators and in some typical years these are more in evidence; in forward sales the cultivators take from the buyers Rs. 25/- to Rs. 50/- per Bhar as advance to make the contract valid.

The system of marketing as is now practised can be said to be more advanced in comparison with the Karnatak and the Khandesh

ones, and one might almost believe that the defects in point of rate, weight and cash payment so current in other tracts might be almost ignored here. A survey of the tract only would bring to light defects in the system of marketing in this area.

As in other tracts, the work of improving the type of cotton was undertaken since long by the Department and good strains with superior ginning percentage and longer staple were evolved long ago in 1911-12. In the beginning a type known as "Selection I" was given out and later on from 1922 a type known as 1027-ALF was introduced. The seed of this was distributed to cultivators but there was great difficulty in obtaining premium for the superior quality. The Department tried several methods and the method introduced with the co-operation of merchants and cultivators in 1914-15 shows signs of success. The method is described in the report of the Deputy Director of Agriculture, Poona for the year 1914-1925 :

"Mr. Bhimbhai, Divisional Inspector of Agriculture, N. D. devoted his attention to working out a scheme whereby the grower of improved cottons should be enabled to get his produce ginned and sold in the form of clean cotton. The scheme was confined to the cultivators of a group of villages and a committee was formed with the Divisional Inspector of Agriculture as Chairman and one or two representatives of each village, making 8 persons in all. The committee represented all the growers of this cotton in the villages and had executive authority. The area under cotton was 559 acres.

In the early part of the season, samples of the cotton were forwarded to leading members of the cotton trade in Bombay and Ahmedabad and two firms offered to buy the clean cotton at a premium. It was finally arranged to sell all the cotton to Messrs. Narayandas Rajaram & Co. who undertook to purchase it at a premium of Rs. 12/- per candy over the current rates prevailing from time to time for local Surat Cotton. This scheme gave to cultivator two benefits :

(1) He was to get the benefit of the higher ginning percentage by having his seed-cotton ginned and selling the clean cotton and seed separately.

(2) He was to recover a premium on clean cotton.

The cotton was ginned and sold and the transaction so conducted showed that the cultivator made a profit of $7\frac{1}{2}$ per cent. on the transaction which consisted $\frac{3}{5}$ on account of the premium on the lint and $\frac{2}{5}$ on account of the higher ginning percentage."

This scheme worked well. But difficulties were experienced in convincing the cultivators of its feasibility and also in the matter of *Jarap* (or advance) sales. After working this scheme for some years it was thought possible to organise it on co-operative lines.

The working of the above scheme for the next two or three years showed the advantages of *pooling cotton* of the new strains with consequent benefits to cultivators.

Co-operative Sale Movement

These experiments conducted by the Agricultural Department led one of the Honorary Organizers at Surat to organise a similar sale system, to start with, for 13 members of the village of Sonsek near Surat in the year 1918. These members were supplied with cotton-seed of new strain and the seed cotton was pooled and ginned. This work was continued without the organisation being registered under the Co-operative Societies Act. In 1921 the Society was registered, and is working as a co-operative cotton sale society. The principles of organisation are the same as those of a co-operative credit society in point of management, general meetings and board of management. But the main lines of work of these societies in Gujarat are as under :

(i) Societies should distribute seed amongst members who are bound to accept and sow it.

(ii) Members are bound to bring all their cotton to their societies which would pool the cotton of all the members, get it ginned and half or fully pressed as may be necessary.

(iii) Non-members' cotton is not accepted and members are forbidden to bring any cotton purchased from any one else.

(iv) Societies charge a certain commission not exceeding Re. 1/- per Bhar and after deducting actual expenses incidental to ginning and other operations, pay the remaining amount as the price of their cotton to members at a uniform rate. The price per Bhar of cotton realised by members is therefore the same in all cases in any given society.

(v) In order that members may realize good prices on an average, if the quantity of lint available for sale is sufficiently large, sales are spread over the whole period of cotton-season and are made in five or more suitable lots. In almost all cases sales are effected by *private treaty*.

(vi) Loyalty on the part of members is strictly insisted upon in almost all the societies and occasions for enforcing it by penalty or otherwise hardly ever arise.

(vii) The entire management of societies is generally left to men who belong to the cultivating classes.

As regards loans to members and finance to sale societies, the method is about the same as in the Karnatak except that the members are financed only on the produce delivered by members, whilst the credit of the Sale Society with the Bank is settled on the actual transactions. The Sonsek Society which has the largest business has a credit of Rs. 1,25,000/- with the District Central Bank (60 per cent. of the value of the security given by the society to the Bank).

As regards the actual method of sale, the following principles are adopted :

(i) On delivery, the kapas is weighed and heaped. The cultivator is issued a regular receipt.

(ii) The seed-cotton is ginned and when sufficient cotton is available and when market rates are favourable the cotton is sold by private treaty. Such sales are held during the season about 3 to 4 times.

(iii) The seed-cotton and lint are both insured.

(iv) At the end of the season, after deducting all expenses, (ginning, pressing, insurance etc.) the actual price obtained on the whole lot is worked out and after deducting advances paid to individual cultivators, the money is paid at the average calculated rate.

On the above basis the societies commenced work in Gujarat and the societies since 1919 have increased to 20, 13 in Surat District and 7 in Broach District. The Sonsek Society which stands first in the list, commenced with 13 members and sales of 130 maunds worth Rs. 9,539/- in 1919. It has now expanded, has nearly 300 members and has sales of 6,578 maunds of lint worth Rs. 2,25,830/-. In 1923-24 the society is said to have sold produce worth Rs. 4,30,000/-. In this year the members have been reported to have benefited to the extent of Rs. 84,000/- in the price realised besides saving the trouble of marketing individual produce and obtaining better yields of crops with good supply of better seed. It is reported that the cultivators have been benefited very greatly by these organisations. The following two statements will give an idea of the progress of these sale societies from 1919 to 1927 and the work done by the sale societies in 1927-28 in Gujarat.

Statement showing the progress of Cotton Sale Societies in Gujarat.

Year	Number of Societies	Members	Lint sold in maunds	Cotton-seed sold maunds	Amount recovered by sale
1919	1	13	132	254	Rs. 9,539
1920	1	34	512	1,100	36,828
1921	1	127	3,045	5,340	1,10,236
1922	4	164	2,237	4,412	1,47,119
1923	8	322	5,722	8,300	3,80,879
1924	14	496	8,945	15,695	6,54,630
1925	19	1,448	23,019	42,118	12,42,475
1926	21	2,122	31,223	55,325	13,59,571
1927	21	2,549	23,707	46,082	9,83,798

Statement showing Cotton Sale Societies in Gujarat and their progress in 1927.

Name of Society	Kind of produce sold	Quantity sold in maunds of 80 lbs. each		Price realised	Total commission earned	Net profit or loss
		by auction	by private treaty			
BROACH DISTRICT						
(1) Islampur Co-operative Cotton Sale Society	not working	—	—	—	—	—
(2) Kareli Co-operative Cotton Sale Society	do.	—	—	—	—	—
(3) Khanpur Deh Cotton Co-operative Society	do.	—	—	—	—	—
(4) Diwa Group Co-operative Cotton Sale Society	do.	—	—	—	—	—
(5) Kosemdi Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil { nil	{ 222 { 420	{ 6,977 { 1,150	{ 51 { 51	{ + 75 { + 75
(6) Hansot group Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil { nil	{ 2,590 { 5,547	{ 90,644 { 15,518	{ 698 { 698	{ + 808 { + 808
(7) Dabhali Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil { nil	{ 1,003 { 1,582	{ 32,197 { 4,676	{ Not known { known	{ + 344 { + 344
SURAT DISTRICT						
(8) Nana Varachha Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil { nil	{ 940 { 1,825	{ 32,632 { 5,371	{ 234 { 234	{ + 239 { + 239
(9) Kosad Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil { nil	{ 1,548 { 2,985	{ 49,954 { 8,511	{ 424 { 424	{ + 209 { + 209

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(10)	Pal Group Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil	1,550 2,972	53,813 8,417	{ 188	+ 585
(11)	Endhal Group Co-operative Cotton Sale Society	Kapas { Cotton lint { Cotton seed	nil { nil	472½ 1,649 3,768	6,103 64,068 11,393	{ 102 237	+ 222 + 901
(12)	Ranveri Khurd Co-operative Cotton Sale Society	Not working	—	—	—	—	—
(13)	Sadakpore Cotton Sale Society	Not working	—	—	—	—	—
(14)	Sodsamba Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil	252 560	9,821 1,666	{ —	— 121
(15)	Vanz Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil	3,233 7,925	1,56,253 24,731	{ 1,090	+ 1,307
(16)	Gothan Group Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil	6,578 11,970	2,25,830 34,367	{ 1,538	+ 4,788
(17)	Sonsek Group Farmers' Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil	1,370 2,716	49,565 7,581	{ 943	+ 938
(18)	Olpad Co-operative Cotton Sale Society	Katcha cotton { Cotton lint { Cotton seed	nil { nil	699 204½ 420½	8,507 7,589 1,226	{ 59 52	+ 216 + 80
(19)	Kim Group Co-operative Cotton Sale Society						
(20)	Sarbhon Group Co-operative Cotton Sale Society						
(21)	Thasra Taluka Co-operative Cotton Sale Society	{ Cotton lint { Cotton seed	{ nil	1,862 3,392	54,959 10,288	{ 552	+ 711

KAIRA DISTRICT

It will be seen that the Cotton Sale Societies in Gujarat are being conducted strictly *on co-operative principles and managed by cultivators themselves*, the Agricultural Organizers of the Co-operative Department who are specially stationed at one of the main centres having only to give advice as and when necessary.

It will be seen that the number of sale societies since 1917 has gone up to 31 in 1926-27 in the three divisions and the total produce disposed off was worth Rs. 40,39,798, cotton and Rs. 1,33,432, cotton seed. The movement as developed in the three places according to local circumstances and environments has, during the last decade, achieved success in more ways than one. Though the working has not been conducted on strictly co-operative lines in some cases, this movement has doubtless benefited the cultivators. The results of co-operative methods are tangible and the experience gained has been valuable. This note might well be concluded with a few extracts from the reports of the Registrar of Co-operative Societies in the Bombay Presidency.

In his report on the working of the Co-operative Societies in Bombay Presidency for the year 1920-21 Mr. Rothfield remarks :

"The total quantity of cotton sold in maunds amounted to $1\frac{1}{2}$ lacs and the price realized amounted to $19\frac{1}{2}$ lacs. Strictly speaking these cotton sale societies are perhaps *not very co-operative and the members look on them rather as a convenience than as a society which they themselves can regulate and to which they owe any loyalty*. Still these societies are an undoubted benefit to the cultivators in the tracts which they serve and have in general obtained considerably better prices than are obtainable in the market. *They also secured a good and easy way of spreading good seed within the district*. The Societies in Southern Division alone have bought pure seed sufficient for 30,000 acres this year. *The weakest feature of the societies is that they are unsupported as a whole by the Bombay merchants.*"

Mr. Madan remarks in 1924-25 :

"Good progress was made in the development of sale societies, of which the most important are the Cotton Sale Societies. The total produce sold by these societies was worth nearly Rs. 46 lacs. In the case of the six cotton sale societies in the Southern Division the quantity sold was 245 thousand maunds as against 207 thousand and the prices realised exceeded Rs. 25 lacs. Similarly in Gujarat where the number of cotton sale societies went up from 9 to 17 during the year, the quantity of cotton and cotton seed sold during the cotton season of 1925 was approximately 22,500 and 44,000

maunds respectively, and the total value Rs. 12 $\frac{3}{4}$ lacs. The increase in quantity, which is the real test in expansion of business, was 14,000 maunds in the case of cotton and 31,000 maunds in the case of cotton seed. Although the business increased, the year was a trying one for societies in Gujarat which pool their members' cotton and get it ginned before selling it. It was trying because prices went down almost steadily during the latter part of the season. As, however, the sales were spread over the whole season the average price realised by members was on the whole satisfactory. In one case, however, owing to the fact that the man who was empowered to sell cotton did not sell it at the proper time and the price fell later, the members suffered some loss. *In Gujarat the increase in the number of Societies and in their business led the members to think of concerting measures for formulating a common policy of work and development."*

Mr. Collins in 1926-27 remarks :

"There is a wide difference between the two types of Cotton Societies represented by those of the Karnatic and of Gujarat and differences prevail in every kind of Co-operative Society. The Societies in the Karnatic have very large areas of operation. They have been formed on the individual basis by collecting in the first instance a few important persons in the market town concerned including agriculturists, cotton dealers, landlords and private gentlemen. The Society subsequently endeavours to enrol as members the primary societies within its area of operation. The cotton of non-members is sold as well, the policy being the greater the volume of business, the greater the turnover and the surplus available for management expenses. The produce is not pooled.

The same conditions apply to most of the sale societies of all kinds throughout the Presidency and Sind. The Cotton Sale Societies of Gujarat are small group societies. The agriculturists of three or four villages growing a similar strain of cotton combine themselves into a society, pool their cotton and sell it jointly. One of the members with experience of cotton business is appointed manager, and paid a substantial lump sum to cover the working season of 3 or 4 months.

"Although it is admitted that experience of Co-operative Sale in western countries shows that the commodity must be sold on a large scale and over a large area to ensure absolute success and control over the market, *the Gujarat societies owing to the cohesion, loyalty and unity of purpose amongst their members are much more co-operative in the true sense than the Karnatic type.* Dur-

ing the year they have united themselves into a federation, and it is to be hoped that they will thus attain eventually to the advantage of the western ideal, and will show that the policy of smaller beginnings raised on sure foundations will be justified. *Societies of the Karnatic type are beginning to suffer from the results of their over ambitious policy. The merchant members become the enemies of the society when its business begins to extend and they find their own business curtailed.* An enormous membership of all types of persons produces internal dissensions. It is difficult in the present state of business education in India to find *competent managers*, and the society is often in the hands of inefficient and unprincipled outsiders."

Mr. Bhide in his report for 1928-29 remarks :

"The development of non-credit agricultural organisation presents special difficulties. The Sale Societies particularly are of the nature of commercial enterprises and the usual risks borne by ordinary traders must also be borne by the co-operative societies. In contrast with individual business, the societies have to depend on the corporate guidance of committees which, in competitive business, is always a disadvantage. Another difficulty is that of maintaining the enthusiasm and the loyalty of the members. When a new institution is started, people are enthusiastic enough, but after a time, even trifling concessions given by competing merchants and dalals are enough to destroy the sense of loyalty. Non-credit Societies therefore must necessarily be prepared to face this incessant competition from the trade and here again the necessity of more and more agricultural organisers becomes apparent. By constant visits and propaganda the people have to be kept loyal to the organisations which have been started for their own benefit."

Speaking of the Gujarat Cotton Sale Societies, Mr. Bhide remarks :

"It is very satisfactory to record that the Cotton Sale Societies in Gujarat have combined together to rent an office near the Surat Railway Station and to sell their cotton engaged a salesman who is expected to remain constantly in touch with the market. This fact also indicates incidentally the business capacity of the Gujarati Agriculturist and his ability to withstand the temporary vicissitudes of the trade."

APPENDIX I.

Classified details of varieties of cotton in Bombay Presidency,
Area and outturn, for 1926-27 and 1927-28.

Variety of Cotton	District or State	1927-28		1926-27	
		Area	Outturn	Area	Outturn
1	2	3	4	5	6
DHOLERA	Ahmedabad	Acres	Bales	Acres	Bales
	Kaira (Part I)	378,335	78,505	324,424	49,475
	Western India States	47,883	9,216	65,349	9,411
	Mahi Kantha	1,586,771	412,560	1,771,917	460,698
		25,248	6,564	23,702	4,918
	<i>Total</i>	2,038,237	506,845	2,185,392	524,502
BROACH	Kaira (Part II)	35,110	6,758	40,896	8,956
	Panchmahals	35,961	6,023	40,744	6,316
	Broach	275,705	65,480	279,412	62,867
	Surat	155,361	36,898	158,115	26,088
	Rewa Kantha	178,516	29,455	175,625	29,635
	Cambay	9,889	1,434	6,420	561
	Surat States	8,775	1,865	9,562	1,912
	<i>Total</i>	699,317	147,913	770,774	136,335
KHANDESH	West Khandesh	467,139	84,084	450,181	68,653
	East Khandesh	829,653	180,450	826,198	173,502
	Nasik	146,854	23,130	73,122	12,065
	<i>Total</i>	1,443,646	287,664	1,349,501	254,220
BARSII AND NAGAR	Ahmednagar	333,481	61,693	120,013	17,701
	Poona	23,995	2,999	17,476	2,461
	Sholapur	89,883	13,258	95,452	14,078
	<i>Total</i>	447,359	77,950	233,041	34,240
KUMPTA AND DHARWAR	Satara	20,361	3,920	20,274	3,041
	Belgaum	266,610	47,322	251,258	27,010
	Bijapur (Part I)	481,381	77,021	485,167	49,730
	Dharwar	732,942	126,432	691,132	95,030
	Satara Jahagirs	16,729	1,589	18,996	1,709
	S. M. C. States (Part I)	168,488	32,976	165,038	22,568
	<i>Total</i>	1,686,511	289,260	1,631,865	199,088
WESTERNS	Bijapur (Part II)	160,162	21,221	187,062	21,044
	Akalkot	3,875	581	7,481	842
	S.M.C. States (Part II)	161,229	27,005	129,569	14,577
	<i>Total</i>	325,266	48,807	324,112	36,463
SINDHI	Hyderabad	51,149	16,368	62,916	30,201
	Thar Parkar *	127,181	25,416	154,931	30,986
	Navabshah	78,213	26,006	96,881	16,227
	Other Sind Districts	2,500	593	3,000	712
	Khairpur	12,261	4,077	15,931	3,783
	<i>Total</i>	271,304	72,460	333,659	81,909
	<i>GRAND TOTAL</i>	6,911,640	1,430,899	6,768,344	1,266,757

* Includes 15,411 Acres of American Variety with an estimated outturn of 3,082 bales.

APPENDIX II.

(Conditions for the guidance of bidders and cultivators.)

(1) The net weight of *dokras* after deducting the *bardan* and samples is recorded in a register. A sample of one pound will be taken by actual weight from each dokra sold by auction, for grading. This will be accumulated and sold, the value being distributed to members selling cotton through the society in proportion to the cotton which they sell. Non-members' cotton will go to the general profits of the Society. The bonus under this head to members shall be independent of the ordinary bonus to be distributed among them. Ginning expenses of the samples will be borne by the society for which the seed will be taken by the society.

(2) In the weight bill, the *bardan* and other deductions on that lot of Kapas including an addition of 2 lbs. of dryage should be stated. The current *bardan* and other deductions should be posted daily during the auction season, calculated at the rate announced by the market committee. No allowance for dryage will be made if dokras are re-weighed at the request of the buyer.

(3) Cooly charges for weighing the dokras have already been paid and correct weight has been recorded. If the purchasers want to see some or all bales re-weighed they will have to pay cooly charges for the same at 6 annas per Naga of 1344 lbs. or make their own arrangements for weighing.

(4) Insurance charges of Rs. 1-8-9 per Naga will be charged to the cultivators in addition to other local charges as determined by the market system.

(5) A sample of one pound of seed cotton from each dokra is taken from all the dokras of each cultivator up to the limit of ten; the samples are mixed together and then the percentage of lint is found out by ginning the seed cotton in power gins. When one person's dokras are taken separately and the percentage of lint found out, the percentage of lint is taken from average samples but will not be guaranteed.

(6) The dokras are arranged in classes of different grades as determined by the society in consultation with the Agricultural Department and the trade.

(7) The information regarding the number of dokras in each class and approximate quantity of kapas and lint available from each is ready and will be supplied to bidders.

(8) The purchasers must pay on the date of sale 25 per cent. of the price of cotton purchased and the remaining amount within three days of the auction sale before the removal of the cotton. The Committee should have discretion to relax this rule so as to allow three days of grace.

(9) Purchasers will have to pay a commission of Rs. 1/4 per Naga in addition to the price bid at auction sale.

(10) The sale society does not accept any risk of fire on the purchased cotton beyond the remaining period of the month for which insurance has been effected, after the date of auction, and the purchasers will have to make their own arrangements for watching the cotton standing in the compound after three days. The society has the right to call upon the purchaser to remove his cotton after the auction.

(11) Any cost in connection with the removal of cotton is to be borne by purchasers.

(12) No dokras will be allowed to be removed unless payment of the Kapas bought is made in full.

(13) The sale society is not bound to accept the highest or any bid.

(14) The kapas received on the last day or the previous is sold as unclassified. If the merchants so desire, it will be classified after the auction and added to the respective grades according to the percentage of lint and charged according to the price obtained for these grades at the auction sale.

(15) The acceptance or refusal of the prices obtained in the auction sale for the different grades of kapas rests with the sale society and not with cultivator or dalals (through whom the kapas is put up for auction). Those who do not agree to this power being given to the sale society need not send their kapas for auction to the depot.

(16) Buyers may inspect the kapas as minutely as they can before bidding in the auction sale. When the auction is over, no complaints will be heard as regards mixtures or soiled kapas etc. The sale society is taking all possible care taking out average samples of kapas from each dokra for classification. Any doubtful dokras are rejected.

APPENDIX III.

Statement showing the progress of the Hubli Co-operative Cotton Sale Society from 1917 to 1928.

Year	Number	Share Capital	Reserve Fund	Other funds	Profit	Dividend	Bonus	BUSINESS		
								in cotton F. P. Bales of 392 lbs.	in cotton seeds in lbs.	10
1	2	3	4	5	6	7	8	9		
1917-1918	98	Rs. A. P. 955 0 0	Rs. A. P. 216 7 6	Rs. A. P.	Rs. A. P. 220 7 4	Rs. A. P. 59 11 0	Rs. A. P.	200		1,39,192
1918-1919	499	1522 0 0	1516 7 6		2192 12 3	118 14 6		956		94,071
1919-1920	519	3082 0 0	3000 0 0		4419 2 9	385 4 0		1839		2,16,208
1920-1921	533	3983 0 0	4200 0 0		4504 4 5	373 6 6		1982		1,65,253
1921-1922	557	4223 0 0	5700 0 0		5920 7 6	395 14 6	835 0 0	2100		3,47,720
1922-1923	881	4824 0 0	6200 0 0		1990 9 5	452 4 0	881 0 0	1200		4,57,656
1923-1924	1372	8085 0 0	9200 0 0		11880 14 1	757 15 6	3725 0 0	4500		7,12,482
1924-1925	1747	11021 0 0	9547 4 0		10850 14 6	1033 3 6	2750 0 0	5000		13,02,609
1925-1926	2262	14451 0 0	12260 0 0	7598 0 11	10968 14 10	1149 6 0	4500 0 0	7000		21,01,764
1926-1927	2346	16079 0 0	15778 7 8	11412 0 8	7822 0 11	1507 6 6		6000		18,85,851
1927-1928	2516	16722 0 0	17783 0 0	13394 2 4	6712 12 9	1567 11 0		4000		25,86,600

APPENDIX IV.

Statement showing the progress of the Khandesh Co-operative Cotton Sale Societies
from 1916-17.

Name of Society	1916-17		1917-18		1918-19		1919-20	
	Total produce sold in lbs.		No. of Carts of Seed Cotton	Weight in mds. of 160 lbs.	Price Rs.	Carts of Seed Cotton	Seed Cotton in mds.	Sale Price
	Seed Cotton	Lint						
1. Chalisgaon	1,13,600	28,040	491	2,931	80,000	38	338	•02
2. Pachora	18,25,600	10,34,400	1,986	9,269	2,79,814	2,055	28,135	4•41
3. Bodwad	—	—	7,177	not known		1,884	88,279	12•31
4. Nandra	—	—	3,000	not known		808	4,805	•62
5. Parola	Figures not available							
6. Shendurni								
7. Bhusawal								

APPENDIX V.

Statement showing the progress of the Pachora Co-operative Cotton Sale Society from 1921-22 to 1927-28.

Year	Number of carts	Commission	Auction money received as commission	Seed cotton in maunds	Recovery of price	Commission	Profit
1921-22	3,973	Rs. 488	Rs. 1,401	24,894	Rs. 6,41,386	Rs. 3,172	Rs. 1,833
1922-23	4,068	502	1,001	22,157	6,31,676	3,150	632
1923-24	3,341	423	851	20,861	8,95,281	4,555	1,897
1924-25	3,607	445	851	19,977	5,69,781	3,003	793
1925-26	4,055	492	429	26,427	4,28,260	2,156	397
1926-27	(information not available)						
1927-28	—	—	—	22,780	4,88,897	1,450	910

CHAPTER VI.

SECONDARY OCCUPATIONS FOR AGRICULTURISTS

BY

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- I. *Need of Subsidiary Occupations and their nature.*
- II. *Occupations helping the Production of Food: Dairying, Need of Organisation. Poultry farming. Fruit farming. Vegetable growing. Bee farming. General.*
- III. *Occupations helping the Production of Clothing: The Charkha. Sericulture. Sheep and goat farming.*
- IV. *Other village industries and crafts: Tanning. Bone crushing. Rope making. Post-harvest industries. Oil pressing. Sugar making. Co-operative sale of produce.*
- V. *The Royal Commission of agriculture on Secondary Occupations.*

CHAPTER VI.

SECONDARY OCCUPATIONS FOR AGRICULTURISTS

I. Need of Subsidiary Occupations and their Nature

The question of Secondary Occupations for agriculturists has arisen from various causes, the chief among them being, (1) increase of population resulting in overcrowding in the agricultural pursuit¹; (2) disappearance of the cottage industries which at one time occupied a considerable portion of the people, who now have to depend on agriculture for livelihood;² and (3) enforced idleness in the case of all agriculturists due to their main industry being unable to occupy them throughout the year, with the result that

¹ Population in millions.

Year.	Rate of growth.	British India.	Indian States.	Total.	Bombay Presidency.
1871		190	50	241	23
1881	1.5	199	55	254	23.4
1891	9.6	221	66	287	27.6
1901	1.4	231	63	294	25.5
1911	6.4	244	71	315	27.1
1921	1.2	247	72	319	26.3

These figures show that there has been an increase of nearly 25 p. c. in the total population during the course of 50 years, except in the Bombay Presidency, where though there has been an increase of 14 p. c. over the figure of 1871, there is a decrease over the figure of 1891. The decline is most marked in the case of the Deccan where the population in 1911 was 63,76,150, but in 1921 only 60,45,803 i. e. more than 5 p. c. on the total.

² The following figures show that the number of people dependent on agriculture has gone on increasing :

Year.	Percentage dependent on agriculture.	
1871	} figures not available	
1881		
1891	...	61.1
1901	...	66.5
1911	...	72.27
1921	...	72.98

These figures do not take into account about 10 to 12 p. c. of the population which is partly or indirectly dependent on the land.

in most cases, insufficiency of income has rendered a decent living impossible.¹

Numerous suggestions are made from time to time from various quarters to relieve the situation indicated above. Most of them fall under three heads : (1) Migration to other parts of the country or emigration abroad ; (2) establishment of large scale industries ; (3) the revival of old cottage industries and the introduction of new ones, and (4) intensive and extensive cultivation.

The first suggestion aims at taking away the surplus population from the rural areas. Apart from the various difficulties to be overcome to make it acceptable, and the limited scope² it has under the existing conditions, its possibilities are not coextensive with the growth of population. Moreover, any step which merely aims at diverting the surplus population, however desirable, does not solve the problem of finding an additional occupation for those left behind, and does not take into account its effect on agricultural labour. For, agriculture itself during certain seasons of its operations, e.g. sowing and harvesting, requires extra labour. On the other hand if the surplus population or as large a part of it as possible were provided with some main occupations in or near about the villages, their labour would be available for such operations.³

The subject of extension of large scale industries is an extremely complicated one, as its possibilities depend on several factors, the consideration of which is outside the scope of the topic under investigation ; and in view of the fact that such industries already established during the last 50 years or so employ only one per cent. of the population of the country out of an increase of nearly 25

¹ The situation has been aggravated by the fact that the average extent of holding per cultivator is less than 3 acres including current fallows, and even this small holding is in most cases fragmented. In the Punjab 25.5 p.c. of the farmers cultivate one acre and less, 15.4 p.c. cultivate between one and $2\frac{1}{2}$ acres, 17.9 p.c. between $2\frac{1}{2}$ and 5 acres, and 20.5 between 5 and 10 acres. The same is the case in the Bombay Presidency. All other provinces have much smaller average area per cultivator, except Burma, which gives a higher average.

² No doubt there is nearly 30 p.c. of untilled land in the country that is capable of being brought under cultivation affording a large scope for migration to the surplus rural population. But it is largely a question of capital and enterprise, both of which are absent among our villagers. As to emigration abroad, the total number of population which has emigrated up to now comes to about 24 lacs or less than $\frac{3}{4}$ p.c., and its future scope is very limited owing to various causes.

³ It may be noted that agricultural wages have increased to 5 to 6 annas a day though agricultural income has not proportionately increased.

p.c. during that period, the possibility of their extension affording occupation to a large number of people is remote.¹ Moreover these industries, necessary though they be for the prosperity of the country, are as a rule located in large towns, and the question whether they should depend upon the labour recruited during the agricultural off-season is one of doubtful expediency, as it may make their position insecure. If, however, they take away the rural population throughout the year, the situation will bring about the same result as that of emigration.

The third suggestion viz. the establishment of small cottage industries, however, requires a detailed examination. Cottage industries as such do not come within the scope of the subject under consideration, except to see which of them can be carried on profitably in villages for the direct or indirect benefit of the agriculturists. But our main purpose here is to examine which of them, how far, and under what conditions, can afford secondary occupations to agriculturists. A cottage industry may be briefly defined as an industry carried on by any person with the help of the members of his family, though outside labour may be occasionally employed, when necessary, as in the case of agriculture. A cottage industry, known also as home industry, need not necessarily be carried on inside the cottage, but may be run anywhere within the compound, and is so described to distinguish it from factory industry. It may be located in a town or a village according to convenience, the chief factors which determine the location being the supply of raw materials and the marketing facilities. Of these, the latter is the more dominant factor, and there being little scope for it in villages, most of the cottage industries are located in towns; only a few for which the rural population offers a market are situated in villages, and these are sometimes known as village industries. Agriculture is also a village industry, but being carried on in open fields, it is not a cottage industry.

A secondary or subsidiary occupation is intended to supplement the income of the persons engaged in some main occupation, be it a cottage industry, agriculture, or some other profession. For,

¹ The organised industries like cotton mills in Bombay, Sholapur and Ahmedabad have been attracting labour from U. P., Rajputana and even Baluchistan. This fact, and the fact of decrease in the population in the Bombay Presidency (see foot note on page i) go to show that large scale industries have ceased to afford a scope for the agricultural population in the Presidency.

as a matter of fact all those whose main occupation yields a scanty income stand in need of a subsidiary occupation. Even a poorly paid clerk, whose main occupation is deskwork in some office, has the need of a secondary source of income. A person engaged in a cotton industry like weaving would find a subsidiary occupation like growing vegetables, flowers and fruits in his own bit of garden, if any, most welcome, and it would stand him in good stead when there is a poor demand for his goods owing to a slump in the market. But these aspects are not for our consideration. We have to consider what subsidiary occupations could be provided for persons engaged in agriculture as their main occupation, not only to supplement their income derived from it, but to take its place, at least to some extent, when the main source fails due to pests or famine.

The object of a secondary or subsidiary occupation for agriculturists is to supplement and not to supplant the main occupation. It may be some suitable kind of cottage industry, but need not necessarily be one. For instance, cart-driving affords a profitable subsidiary occupation to many an agriculturist during the off-season, though in many parts it is being rendered unprofitable due to motor traffic, except in areas where roads do not exist. On the other hand, if it be an industry, it must fulfil the following conditions : (1) It must be capable of being laid aside without loss during the agricultural season, or be capable of being carried on along with the main occupation without detriment to the latter. (2) It must not demand difficult technical knowledge, nor much skill to manipulate. (3) If it involves the use of raw materials they must be within the easy reach of the village without much cost. (4) The products of the industry must find a ready market. (5) It must be capable of affording employment to as large a number of agriculturists as possible.

Before, however, going into the details of the secondary occupations it may not be out of place to indicate very briefly how the farmer should be encouraged to organise his main industry of agriculture, especially in famine areas, in such a way as to minimise his present difficulties. Firstly, he must try to conserve what little moisture his land gets from the rain. Secondly, wherever possible, he must grow at least two varieties of crops, one of which being such as will require a small quantity of rain. Thirdly, he must set apart by rotation a tolerably good portion of his land, even to the extent of half where possible, for growing grass for his cattle ; and as grass requires very little rain he will get sufficient fodder for his cattle, even if his main crop were to fail for want of rain.

It is a fallacy to suppose that by thus curtailing the area of his usual crop he stands the chance of incurring loss. On the contrary by concentrating his attention, labour and manure only on half the area, he would get a double crop. Moreover, he would be less dependent on outside labour as he has less area to cultivate and harvest. Fourthly, he must conserve his manure to the fullest extent by pitting it and by avoiding all kinds of waste.

Important as these measures are, their adoption will not altogether do away with the need for secondary occupations for agriculturists for reasons already stated. But it is difficult to suggest a single occupation such as will give employment to all the villagers. Nor can an occupation which might suit one group of villages or people be found to suit all the villages or all the people. Moreover the utility or value of any occupation must be judged by the standard, how far it will help the village economy in general. The primary object of all economic activities must be the supply of food and clothing and other essential needs of mankind. In order to satisfy this standard the occupations must come under one or more of the following categories :—

- (1) Those which help the production of additional food, either for men or cattle or both.
- (2) Those which help the production of clothing, or other household necessities of the villagers.
- (3) Other industries and occupations already existing in the villages and new industries which can be started in the interest of the villagers.

II. Occupations helping the Production of Food

Of all the secondary occupations those which help to add to the existing food supply are the most valuable. For, in the first instance, when the main source of supply of food from agriculture fails, the secondary source will stand in good stead. Secondly, food being a daily necessity, has a greater demand than any other commodity, and if the articles produced are consumed by the farmers and in the neighbourhood, the difficulties of marketing would be minimised. Thirdly, it will help to replace some quantity of grain used by the cultivator for his food, so that the latter could be made available for cattle which form the mainstay of his industry.

In Western countries, though agriculture itself occupies the farmer for a larger part of the year than in our country, he has

in addition a few but important subsidiary occupations to make him self-contained in the matter of food, consisting of a dairy farm, a pig farm, a poultry farm and a fruit farm. None of these interferes with his main industry, but aids it in several ways. They are mostly looked after by women and children. They afford him nourishing food, and if any surplus is left, and he always works for it, its sale yields an additional income which comes in handy throughout the year. The chief advantage of these industries is that while agriculture yields income only at the end of the year, they yield income all round the year.

Any one or more of the side industries mentioned above are capable of being taken up as main occupations. In some European countries, chief among which is Denmark, dairying, pig-farming and poultry-farming together form the main occupation of the farmer, being specially suited to small holdings. Food crops are grown not for marketing but for feeding the animals, thereby making the industry self-supporting. By pursuing these occupations in a systematic and organised manner, the Danish peasantry have become the most prosperous farmers on the face of the earth.

DAIRYING. Pig-farming has been a lucrative occupation in the case of the farmers in China as in the case of European countries; but in India it is quite out of question except in the case of Christians. Neither a Hindu nor a Mahomedan will touch a pig. On the other hand dairying has every favourable chance of success in India and therefore deserves to be encouraged to the fullest extent possible. In European countries cattle are intended mainly for dairy purpose and food. All the agricultural operations requiring power are done with the help of horses and recently by motors; and artificial manure is largely replacing the farm yard manure. On the other hand, cattle are more important to India as they form the most essential factor in the rural economy of the country. Agriculture would be impossible without them. Cattle give the farmer the manure for his field and are necessary for the work of ploughing and threshing. In all the work of the village requiring the application of power it is the cattle which supply it. They are employed in carting in all work of transport, in drawing water from wells or tanks, in driving cane-crushing mills and oil-mills, and in some places flour mills. They yield the most valuable food viz. milk, which is used in all its forms. Even after death they yield bones, horns and hides which serve several useful purposes. In fact the cow well deserves the name of *Kamadhenu* (कामधेनु) of

India, and she formed at one time the principal source of wealth of the prince and the peasant. Unfortunately, in spite of our reverence for her, we do not give her the best treatment she deserves. No attention is being paid for the improvement of her breed, nor do we give her the necessary quality and quantity of food. The meadows and pastures, which at one time supplied fodder, are being converted into fields for growing some more crops, if they are not already encroached upon by the Forest Department. In view of the fact that the cattle give the farmer the various services mentioned above and also manure for his fields, should he not set apart a portion of his field for growing food for his cattle in the form of grass and fodder? It will pay him to do so in the long run. In European countries a definite portion of the field is reserved by rotation for such purposes. Furthermore, those countries have been doing everything to improve the strain and breed of the cattle. We, on the contrary, have entirely neglected this important matter with the result that most of the cattle in our country have deteriorated to such an extent that we have had to requisition an interloper in the form of the buffalo in their places for purposes of milk. It is too much to expect the average farmer to keep buffaloes for milking and bullocks for other purposes. He therefore prefers to do without milk. Those who are better off keep both; but buffaloes eat more food and cows are made to starve. The presence of the buffalo has made our cattle problem very acute. It is argued by some that cow's milk cannot yield as much fat as that of a buffalo. This may be true under the present degenerate condition of our cow. But with better food and improvement in breed the cow's milk can be made to yield as much fat as that of a buffalo. In European countries they do not keep buffaloes, and yet get a large quantity of butter from the cow's milk. There is no reason why we should not be able to do likewise. By improving the breed of our cattle we can make the cow serve the dual purpose of yielding milk and providing draught animals. Our present method is most uneconomical. Improvement of the quality of the cattle is essential in our country from another point of view. On account of religious sentiment we have to feed all cattle-heads, young or old, weak or strong, sick or healthy, maimed or whole. In Europe all useless cattle are sent to the butchery. As this course is not acceptable to us, it is more essential for us to prevent weaklings from coming into existence, than to have to feed them till their natural death. Moreover, the difficulty of obtaining good bullocks for agricultural

purposes has increased their cost considerably, and thereby the poor farmer is required to run into heavy debt for their purchase. Though the best breeds of cattle cannot thrive in every part of our country, we have various kinds of good breeds to suit all the climates. At any rate by crossing the local breed and preventing the weaklings from propagating by castration, it should be possible to improve the condition of the cattle all over the country. We require on the one hand a supply of plenty of strong draught animals in the interest of our farmers, and on the other, an abundant supply of pure milk, which is of more importance to a vegetarian country like ours. Milk is the best article of food for the sick and the young, and its wide use will give good nourishment to people of all ages. Measures for preventing our cattle from degeneration are more important than the measures for saving them from the butcher's knife. In India, the cattle problem is coextensive with the agricultural problem, and its proper solution will not only improve agriculture, but will afford our farmers a very important secondary occupation in the form of dairying. The dairy industry is moreover as important to our towns as to our villages. With the improvement of our cow, therefore, we can improve the economic condition of our farmers, our villages and our country.

The problem of the improvement of the cow is no doubt as difficult as it is important, but a good beginning can be made if the numerous cow-protection institutions to be met with all over the country were to direct their energies and vast resources to its proper solution. It would not be difficult for them to realise that the improvement of the breed and feed of millions of cows is a surer way of preventing the gradual extinction of the cow than the saving of a few thousands from the butcher's knife, however bad that job may be. The realisation of this truth will not only secure the salvation of the cow, but would save the country from the numerous communal strifes and feuds, often leading to bloodshed. For the correct appreciation of the cow problem village propaganda is necessary and deserves to be vigorously carried on. Its right solution, on the one hand, will increase the efficiency of the plough cattle, enabling the farmer to get more work from them and, whenever possible, to get it done by a smaller number, and on the other, it will afford a better and ampler supply of milk to the villagers, to improve their own and their children's health and physique. The cow problem must therefore be directed to improve the condition of the country rather than to destroy its harmony.

NEED OF ORGANISATION. It is indeed most deplorable that the country of *Kamadhenu* should find itself degraded to the position of importing from foreign countries condensed milk worth several lacs every year,¹ and even butter in large quantity. This is due not merely to the degeneration of our cattle, but to the want of organisation, a factor most essential to the success of any business. Gujarat and Kathiawar for instance, whose fertile soil is known as the Garden of India, and whose cattle once attracted admiration from all, have lagged behind mainly through want of organisation. It is not individual shrewdness alone that counts in this era of competition, so much as the collective organisation which gives proper direction and push to individual effort. With proper organisation Gujarat alone, with the help of modern appliances, like the pasteurising plant, is in a position to supply milk to the whole city of Bombay² at much below the ruling prices, yet due to want of organisation she has lost even the market for butter which once was hers in Burma, having given place to the organised Dairy Industry of Australia. Organisation is the soul of every business or enterprise, and is necessary not merely in raising the dairy industry of our country to a higher level of efficiency, but in realising the possibilities of other industries that will be recommended hereafter as secondary occupations for our agriculturists. It may, however, be hoped that the Co-operative Movement will afford the much needed stimulus and strength in this direction.

POULTRY FARMING. Next to dairying, poultry-farming deserves attention. That industry is not new to our country, being in practice from times immemorial, and being still carried on in many parts, though in an unorganised manner. As in the case of the cattle, Indian poultry has degenerated to a great extent, but is capable of considerable improvement by crossing with superior breeds, by better feed and proper housing. Poultry-farming is eminently suited to famine areas. Even waste lands can be used for poultry yards, and the work can be safely left to the grown-up children if properly instructed. With the adoption of necessary steps indicated above, an average cultivator family, by

¹ The average import of condensed milk in the three years 1924 to 1927 amounted to 6,965 tons a year, of which 4,903 tons went to Burma.

² Milk produced in rural places is supplied to several cities in Europe and America at a distance of hundreds of miles. With the help of the pasteurising plant placed at both ends milk is kept fresh and wholesome for days together.

marketing the produce of the farm, after retaining some portion for its own use, can add to its income anything between Rs. 50 and 150 a year. One special advantage of this industry is that it is capable of yielding income at small intervals, monthly, weekly and even daily as in the case of dairy farm, which, however, requires a much larger initial outlay. A farmer having a well equipped poultry-farm may be depended upon to cease to cast longing eyes on his brother employee in the mills who gets a pay regularly every month. Eggs are known as the fruit of the hen and form a very nourishing and a pure form of food, and is very little liable to contamination. In European countries eggs are as freely used as milk. It may be pointed out that some eggs are infructuous i.e. without the germ of life, and therefore last much longer. They are as inanimate as milk and produce no chicken if hatched. Though people, who are pure vegetarians, may not take to the industry, there are many sections of the Hindus who have no objection to the use of poultry and eggs for food. These together with the Mahomedans and the Indian Christians form a considerable part of the rural population which can be encouraged with advantage to carry on poultry-farming as a secondary occupation. Most villages have a number of depressed class families, many of whom are landless. They, at any rate, deserve to be helped to carry on the industry as a main occupation which will enable them to earn a decent living. As in the case of dairy farming, poultry farming stands in need of improvement of breed and feed and proper organisation before it can be expected to yield good results. As a food industry it has large potentialities in our country. Poultry is quicker in yield and less costly in maintenance than cattle. It also yields rich manure very valuable for fruit trees. Each fowl yields 40 to 80 lbs. of manure per annum. America produces by poultry more wealth than by even wheat. In 1922 the poultry products amounted to over 400 million pounds sterling, exceeding the value of her wheat. The wealth of the farmers of Denmark is built as much by poultry as by dairy. England purchases eggs worth six million pounds sterling and butter worth 24 millions sterling annually from foreign countries, much of which comes from Denmark. Among Eastern nations China leads the way in this industry. Her export trade to Great Britain in 1924 amounted to two and half millions of eggs, dried and liquid, and she is exporting to many other countries besides. Those villages in China which are not in a position to export fresh eggs, dry them into powder for export which is as valuable as milk powder. In view

of these facts, there can be no doubt that the poultry industry is capable of being worked with considerable benefit to the farmers and the country.

FRUIT FARMING. Fruit farming is the next industry to be considered as a subsidiary occupation. Fruit is a very useful article of food, even in its natural form, and in point of nourishment stands next to milk and eggs. In view of this fact Europe and America consume an enormous quantity of fruit. In those countries the fruit industry, both as a main and a secondary occupation, employs a large number of people. There is no reason why India, which is largely a vegetarian country, should not do the same by cultivating fruit trees on a larger scale than at present. Extension of fruit cultivation may also afford scope, in course of time, for many side-industries, such as canning, curing or drying of fruit, preserves, jams, juices, powders etc. These are however, remote possibilities, for it would be too much under the present conditions to expect development in these lines at the hands of villagers. The industry would bring waste lands under cultivation, as in Ratnagiri, where mango cultivation has given occupation to many, and has been yielding an income of several lacs every year. The cultivation of fruit trees deserves attention from another point of view. Their leaves would be useful for manure, and the fuel which they yield would go to minimise and perhaps to avoid the use, at present made for that purpose, of cattledung, which will thus be available to enrich the soil. Though cultivation of certain varieties of fruit depends upon a good supply of water and marketing facilities, there are other varieties not much dependent on rain and are therefore fitted to famine areas; their growth deserves encouragement, so that if rain crops fail, the farmer may yet have a good crop of fruits.

VEGETABLE GROWING. Market-gardening is bound up with the question of an ample supply of water and manure and the facility for sale. Apart from this, every farmer should be encouraged to grow vegetables, not so much for marketing, unless there are special facilities thereof, as for consumption in his own home. The small quantity required for this purpose could easily be grown by him even with the help of kitchen water and bath water in a small bit of garden attached to his cottage. Water from this source is at present allowed to stagnate near many a home, becoming thereby a source of unhealthiness. Utilising it for growing vegetables will be both an economic and a sanitary measure.

BEE-FARMING. Apiculture or bee-farming is another important industry which, though hardly known in our country, is very extensively practised by farmers in other countries. Its chief advantages are, that it requires little labour and very little space, and entails a very small initial expenditure. Generally grown-up children take charge of this industry and they pick it up very easily. A single stock of bees can, it is estimated, easily yield 100 lbs. of honey in a year, which might sell at Rs. 50 at least. In the United States bee-keeping is carried on on a very extensive scale aided by scientific appliances, and instances are known of a single stock of bees yielding in that country more than 500 lbs. of honey every year. The demand for honey as an article of food has increased so enormously in that country in recent years that it is found that the country consumes from 100 to 150 million pounds of honey representing a money value of 8 to 10 million dollars. In Germany also the industry is very extensively and systematically practised and it is estimated that the annual earnings of the German farmers from apiculture are not less than 35 million gold marks, which is greater than the total earnings of the country from deep sea and coastal fishing put together. The industry, however, can be carried on with advantage in places where bee-forage is found in abundance. Honey is a nourishing food having bone-making qualities. Children are more benefited by its use than by other sweets prepared from sugar. In ancient India sugar was unknown, and honey was therefore in large use both on ordinary and ceremonial occasions. *Madhu-perk* (मधुपर्क) a mixture of milk and honey, was the best drink offered to guests, and to the bridegroom. Honey was considered to be the food fit for gods, and is being used even now during the Shraddha i.e. anniversary of the death of parents and relatives and at the worship of God. The article was obtained in olden days from forests. But now in all countries, except in India, the bee is domesticated just like the cow or the sheep. In the case of all domesticated animals we have to provide food for them, while the bees obtain their own food and are therefore the least costly to maintain. They require no stables, and no roads or space on the ground to move about, and very little labour and time to look after. They gather treasures which would otherwise be lost. If forests or flowers are not close by, barren and waste lands could be utilised for planting trees having bee-forage. Fruit trees afford very good forage to bees. Bees help the fertilisation of fruit increasing thereby its quality and quantity. It is indeed most disappointing to note that in spite of the vast advantages of this

industry no efforts are made in India to introduce it even in localities where bee-forage is ample. If the Indian bee is considered to be a poor honey maker it should be possible to introduce foreign varieties, as is the case with sericulture in many parts of our country. It may be of interest to note that poultry-rearing, bee-farming and fruit-farming go hand in hand with considerable advantage to the owner. The droppings of the poultry form an excellent manure for fruit trees, and the bee plays an important part as a fertiliser in fruit culture. With the aid of bees fruit trees in America are made to produce nearly fourfold the usual crop. Bees are also useful in helping the fertilisation of various other crops. Every possible measure should therefore be adopted to encourage apiculture in our country in view of its several advantages to the farmer and to the people in general.

GENERAL. The industries mentioned above, whereby production of food in its natural course is made possible by *breeding* animals, without *slaughtering* them, are most important to India. In the first place, agricultural land in the country being limited in extent in proportion to its population, it is most desirable that all the sources of food which animals and trees can yield, without in any way harming them, must be tapped to the fullest extent. Secondly, it is now almost proverbial that the Indian farmer finds it difficult to get one square meal a day from his main industry, and any measures to increase his store of food whereby he can have two meals a day, deserve every possible encouragement. Thirdly, these industries can be managed by women and children. They can easily be learnt and require very little skill to manage. Fourthly, they stand in no fear of factory competition. No fertile brain, which even Germany can produce, has yet been able to discover, nor can it ever be expected to discover, a synthetic process of producing milk, eggs or honey. There is always a running demand for articles of food in every country. Our own country would be able to consume the produce from these industries, and should there be a surplus in excess of the country's demand, which however might take many years, it is sure to find a market in other countries whose population must also increase in course of time. Outside marketing, especially in the case of articles of food under consideration, demands a very high order of organisation which might take years to complete. The industries must therefore be taken up in the first instance to supply the demands of the farmer's own homes and wherever possible, to cater for those of their immediate

neighbouring towns, thus benefiting both sides. People in the towns will have an increased supply of food and the farmers some ready cash for use. Agriculture yields income only once a year, and the farmer has to depend on the money-lender for the purchase of his daily necessities. The secondary occupations referred to above, if well developed and provided with the marketing facilities in the neighbourhood, will remove or at any rate lessen his dependence on the money-lender, who accommodates him oftener than his credit society does, and thus make him more loyal to his society; and there will be fewer defaults than at present as he will be in a position to repay his loan with greater certainty and more regularity.

III. Occupations helping the Production of Clothing

Next to food the most important necessity of life is clothing. But it must be noted, at the outset, that here we come into the vortex of world competition, whatever industry we may think of. Mere production of the raw material comes within the scope of agriculture, but when it is taken to the sphere of any process of turning the material into an article fit for use, the question of competition comes in. Spinning and weaving, which at one time were cottage industries and which were run on a vast scale in almost all the villages of India, have suffered a rude shock from the factory industries worked by machinery. Though hand-spinning has altogether disappeared, except the production of an insignificant quantity of high grade yarn in some corner of the country in the Madras Presidency, a small but important fraction of the hand-weaving industry has still survived, giving occupation to several lacs of people.¹ This is mainly due to two reasons. (1) Labour in India, especially on the country-side, is still comparatively cheap; and (2) machinery cannot successfully turn out certain finer varieties of cloth of delicate texture. To these factors must be added, perhaps with some pride, the conservatism of our women, especially in the Bombay and the Madras Presidencies, who refuse to wear the mill-made sadis which, though cheap are found to wear out soon.

¹ There are two to three million hand-loom in India. Generally a family works on a single loom, unless it is in a position to hire labour. Taking four persons to be the average number of members in a family, an average of two and a half million looms must be affording sustenance to ten million or one crore of people.

It would not be possible to introduce the hand-weaving industry in villages for the benefit of the farmers as a secondary occupation. For, to run it with any degree of success it must be carried on as a primary occupation. The skill and delicate handling which it requires, cannot be expected of the average farmer in the village. Moreover the fact, that the existing class of our hand-weavers, who take to the industry as a whole-time occupation, find it difficult to make both ends meet, brings us to the question of improving the status of the men already employed in it, rather than of extending the industry among the vast number of farmers in the villages.

The clothing requirements of an average agriculturist do not go much beyond 15 yards per head, and for a family of 5 souls we may take the total at about 80 yards. An average weaver can produce two yards of cloth per hour, or 12 yards per day, as he can easily work 6 to 7 hours per day without exhaustion. Thus it is, at the most, a week's work for a farmer if he were to weave cloth sufficient for his family. But it would not pay him to undertake this small job, as, apart from the question of larger incidence of wastage on so small a scale of work, his investment on the loom and its accessories will have to lie idle for 51 out of 52 weeks of the year, unless he produces a great deal more for sale. And as soon as he steps into this wider circle, he will be confronted with all the intricate problems of marketing, and he will become in a sense a competitor to the professional weaver, and will in no time be squeezed out by the professional shop-keeper. It is, therefore, premature to think of introducing weaving as a secondary occupation even for a small number of agriculturists, unless and until cheap yarn is made available at their doors and marketing of finished goods is organised on sound lines.

THE CHARKHA. We have, however, to explore the possibilities of every available industry to supply a secondary occupation capable of employing the vast spare time and energy of the farmers, which at present run into waste. The only possible industry falling under the category of clothing is hand-spinning. It can be made a useful adjunct of every farmer-family in the country and is best suited to famine areas, giving useful occupation when all others have failed. Even if the adult males wish to migrate temporarily in search of a more remunerative occupation, the women and children can ply the charkha without difficulty and without much technical skill. There can be no caste prejudice to its use, and in fact before the advent of the machine-made yarn

the women folk of the farmer-families supplied the country's yarn. The charkha requires very little initial capital and will occupy a small corner of the cottage.

The service which the charkha rendered in days of yore is not denied. But various objections are raised as to its capacity as a secondary occupation for agriculturists under the present conditions. The first objection is the low income which it yields, amounting to not more than a couple of annas a day. But is not something better than nothing? Even agriculture itself does not yield to the average farmer more than Rs. 50 a year, which comes to not much above annas two per day. Yet no one on that account will dare to advise the abandonment of agriculture. Another objection is that the yarn produced does not find a ready market. But this difficulty can be got over by producing yarn in each village just sufficient for its own requirements. The third objection is that the farmer now-a-days being accustomed to the finer varieties of cloth will not care to purchase the coarse Khadi in preference to the former. But when the farmer produces his own cloth in his own home, no case arises of his purchasing it in the shop and therefore the question of giving preference to one or the other does not arise. Thus if the scope of the hand-spinning industry in the case of agriculturists be limited to the production of yarn just sufficient for the requirements of the village people, the difficulty of finding a market for the produce will not arise. Every farmer will be proud to wear the cloth produced by his own labour, however rough it may be. To persuade a person to purchase Khadi may be difficult, but little persuasion will be required for using an article produced by himself. Nor will the question of a subsidy arise, which some advocates of Khadi are pleading for, so long as questions of sale, purchase and preference are avoided. Moreover it is not as easy to get a subsidy as it is to ask for it. In order to effect greater saving and to give a little more work to the village, the preliminary processes of ginning and carding must be done there, preferably in each family. The weaving of the yarn should also be done in the village, not individually, but by placing the work in the hands of one or two families. It will give them full time occupation and enable them to specialise in the art. Perhaps it would be advisable to pay for the work in kind, preferably by yarn. Gudars i.e. thick and strong coloured cloth used as carpets, and inferior carpets used in villages can also be manufactured by the village weavers with a thick homespun yarn. With these possibilities before us, it is very difficult to ignore or despise

an industry capable of affording clothing to the whole village population, and of giving full time occupation to a couple of additional families as weavers, and yet another family of carpenters in each village within its own precincts.

Wherever hand-spinning with weaving is introduced with success, the desirability of eliminating some work of drudgery must be considered, so as to reserve more time and energy for spinning and its incidental work. For example, flour grinding, which occupies a large time of the womenfolk, can be done at a common mill for the village driven by a pair of bullocks, as is successfully done in the villages of the district of Gurgaon in the Punjab through the efforts of Mr. Brayne.¹ In fact, manufacture of cloth *in the village for the village* might bring about much improvement in the rural life, for which there is little scope at present for want of funds. It might be possible, in course of time, even to shorten the time taken for spinning itself, by further improvement of the Charkha, which is sure to come if the industry becomes national, or by the addition of a contrivance to produce two or three threads by a single wheel in place of the one it produces at present. This step towards the improvement of yarn and its rapid production is essential from another point of view, if the ultimate aim of the movement to supply yarn to the present hand-loom weavers is to be realised. One great handicap in the way of these industrious people is that the mills having obtained a monopoly of yarn sell it to them at a very high price in order to enable themselves to sell mill-made cloth at a cheaper rate. If the charkha propaganda is to succeed, it must be directed to the villages with greater vigour and a more thorough-going organisation than in the case of towns. The support of the townspeople requires to be propped up by enthusiasm from time to time, whereas in the case of the villages it is a question of self-preservation. Though work in the rural areas will be difficult at the start on account of the illiteracy and apathy of the people, yet once its possibilities are realised, it is sure to take a deeper root there. In order, however, to ensure success and avoid failure, the propaganda must be carried on, not by uninformed enthusiasts, but by persons who have gone through the technique of handspinning, which may not take more than a couple of months to master. If in addition to this, they are also trained for about 3 to 6 months in the breeding and feeding of

¹ See *Village Uplift in India*, by F. L. Brayne, M. A., I. C. S., Deputy Commissioner of Gurgaon District, Punjab.

cattle and the methods of raising fodder and its preservation by silage, they will be capable of rendering double service to the villagers.

Handspinning coupled with weaving, if introduced in the Indian villages, is capable of producing vast social and economic benefits. The average per capita consumption of cloth in India is estimated at 15 yards per year. Taking only 10 yards to be the per capita consumption in the case of villagers for a conservative estimate and the total rural population at 288 millions according to the census of 1921, the total cloth required by them would be 2880 million yards. If by an extensive and systematic propaganda the villagers are encouraged to produce their own cloth, all the money they pay for it will remain in the villages. Taking the cost of Khadi cloth at the minimum of annas four per yard, the total saving effected to the villages would be 72 crores of rupees per year. Over and above this, the cost they have to pay in cash for purchasing cloth from the market should be taken into consideration. That cost is not less than 6 to 8 As. per yard. Taking again the lower figure, the additional saving effected by home production at As. 2 per yard would amount to another 36 crores of rupees per year. Thus there will remain in the villages more than one hundred crores of rupees every year on a very conservative estimate, and if even a part of it be made available, as it is sure to be, for the work of rural uplift, such as education, sanitation, medical relief, and also the improvement of the cattle and agriculture itself, the condition of rural life could be ameliorated at a very rapid rate.

Over and above this, take into consideration the great increase in the purchasing power resulting by the reform, amongst so large a number of people, opening up a vast market for the large scale industries that might be started in the country. Manufacture of the market is more difficult and yet a more important task than the manufacture of goods. Many an industry of the factory type has remained unexploited in the country for want of a market. They can expect very little scope in the foreign market, which has been already captured by the industrially advanced foreign countries. Even in the case of backward countries a consciousness of their own possibilities is rapidly growing. The creation of a home market is therefore of paramount importance for the industrial advancement of the country. The simple charkha offers this possibility, and it should not, therefore, be treated as negligible.

SERICULTURE. Another industry falling under the second category is silk-farming, which can to some extent afford an occupation to our farmers, whether as an addition or as an alternative to one or more industries already mentioned. There is a common belief that this industry is possible only in certain parts of our country favoured by cool climate. This would no doubt be the case if the industry is to be pursued for producing two or more crops in a year. If only a single crop is produced and tree-planting and not bush-planting of mulberry is resorted to, the industry can be introduced in any part of our country, by taking advantage of the most favourable season of the year. Trees can be grown on any kind of soil, soft or rocky, waste land, road-sides and the borders of fields. A single crop can be attended to by the farmer's wife assisted by a grown-up child, and the cocoons will be ready within 40 days of the hatching of the eggs, yielding a net profit of about Rs. 40 on a single oz. of silk-worm eggs used, which can be purchased in India or jointly imported from Europe, as may suit the local conditions, at a cost not exceeding Rs. 2 per oz. Expert guidance is required only at the initial stage. Reeling and other higher stages, if they are to be done properly, require much skill and therefore need not be introduced, and if possible, they can be introduced at a later stage in some central place serving a number of villages, if skilled labour, either acquired or imported, is available. The industry flourished in our country in ancient times. It requires very little capital as investment and very little space to rear the silk-worms.

Ericulture is the production of an inferior kind of silk through worms fed with leaves of Erandi (एरंडी) or castor plant, and can be practised where castor plants are grown for oil seed.

The main difficulty in the case of silk industry is that of marketing. Silk, especially in the crude form, has no market in the villages. The chief market for it lies in foreign countries, where, however, it has to contend against artificial silk, which, though not possessing the enduring qualities of natural silk, has the important quality of cheapness.

SHEEP AND GOAT FARMING. Sheep and goat farming is prevalent in several parts of India. It is a mixed type of industry producing both milk as an article of food and wool as a raw material of clothing. The goat is said to be the poor man's cow, and though a few animals are kept by the poor people, the work of maintaining farms is carried on by a class of people known

as Dhangars or Kurumbars or shepherds.¹ As affording a main or primary occupation to these people it no doubt deserves encouragement and improvement, yet its possibilities as a secondary occupation are not very great and from an agriculturist's point of view the industry does not seem to be of much importance.

IV. Other Village Industries and Crafts

There are a few village industries besides those already referred to, giving occupation to a few families in each village or in groups of smaller villages. As they are mainly carried on on a caste basis, there is little scope in them to take the place of secondary occupations for agriculturists. Oil pressing is one of them, being carried on by the Ghanchi or Teli, giving occupation to a family or two in a village, if big enough, or in a group of smaller villages. Pottery is another. The potter or Kumbhar at one time held an important position in the village economy, but he is gradually losing ground by reason of the appearance of unbreakable vessels of cheap metals, such as tin, zinc, aluminium and iron. Even cheap enamel vessels have found a way into the villages. The potter has little or no place in the towns and the class has been falling back on land. The weaver has left the village, the villagers having ceased to spin, and the mill-made yarn having replaced the hand-spun yarn. Similar is the case of the Chambhar (shoemaker or cobbler), but the men following that profession have largely migrated to the towns. Among the artisans the blacksmith or Lohar finds his occupation gone by the importation of the factory-made implements and cutlery, and his profession is now confined to the minor work of repairs. To eke out a living he very often adds the profession of a carpenter (Sutar) to his own. The village Sutar (carpenter) has already migrated to the towns, as also the Tambat (coppersmith), the Sonar (goldsmith), and the Gudigar or Jingar i.e. a person engaged in wood-carving, painting and other artistic work.² It may, however, be noted that such of the

¹ There are 23 million sheep and 39 million goats in British India alone, of which 1,768,000 sheep and 2,622,000 goats are found in the Bombay Presidency proper and 624,000 sheep and 1,511,000 goats in Sind.

² There are, besides, persons following other professions in the villages. They are: the barber (Nhavi), washerman (dhobi), the halvai (the seller of sweets) who also sells fried grain or rice, the shopkeeper, the money-lender, the pantoji or teacher, the priest and astrologer (joshi), a vaidya or hakim (physician), the landlord, the village Mahar and the village officers—the patel or Mukhi and the Kulkarni. Except the

families of the classes mentioned above as are still left in the villages are carrying on agriculture as an additional occupation. A few more minor industries to be met with in the villages are basket-making from bamboos, cane or certain kinds of creepers; and mat-making from bamboos or grass. They are in a crude state and are generally pursued by the depressed classes, catering mostly to the requirements of the villages. These people earn a meagre income from their professions, and therefore hire their labour to agriculturists, or in towns. All these industries, though not capable of affording a scope for secondary occupations for the agriculturists, have a place in the village economy. For, if they cease to exist in the villages their absence will cause serious inconvenience to the villagers, and if the people who follow them were further to migrate to the towns, their absence will cause scarcity in agricultural labour during sowing and harvesting time. Hence not only the existing industries deserve the fullest possible encouragement and improvement, but also the possibilities of adding to their number deserve to be explored and helped by all those who are interested in village welfare.

TANNING. One important industry deserving revival is tanning. It was once a village industry, but has now ceased to be so by reason of its having assumed the proportions of a factory industry. Most of the hides are at present exported out of the country, and only a part comes back either as tanned leather or in the form of goods of numerous kinds. Even the village *chambhar* (literally leather-dresser) has forgotten the tanning industry, which he at one time practised, and is now dependent for his trade on the imported ready-made leather. The industry can with advantage be carried on in villages as most of the exported hides are collected from rural areas. Tanning materials are also found in abundance in our country, but they, too, are sent out to foreign countries. Though the village leather-dresser may not be able to prepare as fine a leather as the imported one, he should yet be in a position to produce a tolerably good article suited to the needs of the countryside. India exports raw hides and skins worth several crores. The shipments in 1926 amounted to 50,800 tons valued at Rs. 7,23,00,000. If the village tanneries can retain even a small fraction of this huge quantity it will be no small gain to the country.

village officers most of the others have migrated to towns or a single family of each serves two or more villages.

BONE CRUSHING. Closely allied to tanning is bone-crushing. This is a new industry deserving encouragement in the vital interests of agriculture itself. At present whatever bones could be collected are mostly exported to foreign countries. In 1926 as many as 1,00,005 tons valued at Rs. 97,76,000 were shipped from India. It is not the value, so much as the huge quantity of useful article of manure sent out of our land that matters much. In the case of skins exported something at least comes back in the form of leather or goods, but in the case of bones nothing comes back, and thus the Indian soil is deprived of the best manure containing nitrogen and phosphates. It is extremely desirable that serious efforts should be made to set up small bone-crushing mills worked by bullocks at different rural centres. Efforts should similarly be made to popularise bonemeal as an excellent manure for certain crops ; because it is more out of ignorance of its value than religious susceptibilities that our farmers allow bones to be taken away from the villages.

ROPE-MAKING. The above two industries might, if at all, be taken up by the depressed classes and non-Hindus, unless perhaps they assume the status of a factory. Though they cannot be properly classed under secondary occupations, yet they deserve consideration on other important grounds already noted. The rope-making industry can be taken up by any class of farmer. What ropes at present are made in villages are for agricultural purposes only. But the industry is capable of being conducted on commercial lines with a small outlay of capital. Large quantities of materials, from which fibres could be extracted, are at present allowed to run into waste. Both the work of extraction of fibre and rope-making can be done by suitable hand-machinery. But in this industry, as in the case of bone-crushing, the commercial aspect, viz. the marketing of the produce, comes in, which demands organisation, and the initiation for which must come from outside. We may hope it will come from some source or other.

It is difficult to suggest many more new industries that could be introduced in villages. Only those are suited to rural areas for which raw materials or the markets are locally available. Those demanding special skill and dexterity of hand are little suited to villages. Such industries, therefore, which aim at producing articles like toys, artificial flowers, hosiery, paper and matches must be ruled out of order as unsuited to villages, unless a colony of skilled workers is established in some rural area. The fishing in-

dustury and certain forest industries, notably culture of lac,¹ can afford occupation to the rural population, but they are suited only to those living in the proximity of the forests or the sea, as the case may be.

POST-HARVEST INDUSTRIES. There remains to be considered only one more class of industries closely related to agriculture, consisting of certain post-harvest work. Their nature varies with the kind of local crop grown. The chief of them are paddy-husking, cane-crushing combined with gul-making, decortivating or husking of ground-nuts, pulse-grinding, oil-pressing and cotton-ginning. These processes were at one time being carried on by means of crude implements, which now are being gradually replaced by power machinery. Cotton-ginning is now entirely done in factories, and to some extent paddy-husking and oil-pressing also. Gul-making will not pay if done by power factory, unless the object is to produce sugar instead of gul. The question is, how far is it advisable to introduce power factories to replace the present methods of work, granting that the requisite capital, enterprise and organisation would be forthcoming, whether through the co-operative channel or by the joint-stock method. In answer it may be stated as a general proposition that where the crop is produced only or mainly for export, introduction of the factory would be advisable. It holds good in the case of cotton, and in the case of paddy and oil-seeds, including ground-nut, where they are produced much in excess of local consumption. On the other hand, in the case of paddy-husking, where the rice crop is insufficient or just sufficient for local consumption, it is inexpedient to think of power machinery. For, there the husking operation is in the hands of poor womenfolk who make some living out of the work, however scanty it be. If power machinery for paddy-husking be introduced in such an area, a large number of people will be thrown out of job. Machinery in India has certain limitations, and its unrestricted advocacy in every department of work without taking local conditions into account would be unjustifiable. Take for instance, the case of spinning and weaving mills in general. These mills, whether working in India or in foreign countries, have thrown well-nigh half the Indian population out of job. Suppose all the cloth produced at present by hand-loom were undertaken to be

¹ Assam cultivates lac on an extensive scale and exports the article worth 8 to 9 crores of rupees every year.

manufactured by mills. They would employ at the most some 4 lacs of persons more than at present, but would throw not less than 90 lacs out of employment. It cannot however be denied that India stands in need of development of factory industries, but for the present they should look to the fields which afford additional labour to the people without curtailing the existing work in their hands. Where, however, new work has been found for the people it would be quite justifiable to curtail the existing laborious task by labour-saving appliances.

OIL-PRESSING. There is however one industry of agricultural process deserving further development by the factory system, at any rate to a greater extent than at present, and it is oil-pressing. In the villages this industry is carried on by the Teli or Ghanchee (men engaged in oil-pressing). The appliance consists of a small wooden mill driven by a bullock. At one time when the lamps in the country were fed only by vegetable oil, the Ghanchee led a prosperous business. A large number of them is now thrown out of employment due to the extensive use of kerosine for the purpose, even in the remotest village. Lamps are now burnt with vegetable oil only in temples, but even there its use is now confined to the inner room of the God (गर्भगृह). The large quantity of oilseed, set free by the use of kerosine¹ and candles, is now exported to foreign countries. The average quantity of export varies from 10 to 15 lacs of tons valued at 20 to 30 crores of rupees. The great importance of crushing this large quantity of seed in the country and exporting only oil outside lies in the fact that besides affording avenues of employing skilled and unskilled Indian labour we will be able to retain the oil cake as a nutritious food for cattle and valuable nitrogenous manure for the soil. The factory industry on the requisite scale may not be possible to be set up in villages, but in whatever part of the country it may be established, its indirect effect on agriculture cannot but be very great.

SUGAR-MAKING. The sugar factory is a great possibility, and on account of the bulky nature of the raw material and the chance of its drying up soon, the factory has necessarily to be located in some suitable cane-producing centre. But the discussion of the

¹ About 50 million gallons are imported into the country from abroad to supplement the 300 million gallons produced in Burma whose production of oil is, however, slowly diminishing.

feasibility of the industry would carry us beyond the scope of the present subject.

CO-OPERATIVE SALE OF PRODUCE. Co-operative sale of agricultural produce deserves urgent attention on many grounds. At present it is in the hands of middlemen mostly coming from towns, and the loss to the villages is of manifold nature. In the first place, the organisation of sale on co-operative lines will give more occupations to villagers which they are now deprived of. Secondly, the profits from the transactions will be retained in the villages. Thirdly, the adulteration, which the middlemen resort to, has brought about a downfall in the price of the Indian produce, both in the home and foreign markets, and it is the cultivator who is the ultimate loser in the transaction. Fourthly, the various productive occupations already described as deserving to be introduced in villages will fail to achieve their object if co-operative sale be not organised in their interest. Co-operative credit has no doubt a place in rural economy, but its drawbacks at present observable are mainly due to the absence of organisation of sale of produce. It is therefore of supreme importance that all efforts should be concentrated on this important work of co-operative organisation which goes to the root of the economic improvement of the farmer.

V. The Royal Commission on Agriculture on Secondary Occupations

Before concluding it may not be out of place to review briefly the recommendations of the Royal Commission on Agriculture on the subject under consideration. The subject is dealt with in Chapter XVI on "Rural Industries and Labour". That chapter holds out the key for understanding the whole report as will be shown later on. At the outset, the Commission points out that as a general rule an agriculturist cannot be expected to be anything more than an unskilled labourer in any industry other than his own avocation. If, therefore, a marked reduction of pressure on the land is required it must be achieved by a definite diversion of the surplus labour of the country to industrial centres.¹ The prominent

¹ How far such diversion has been achieved up to now is shown by the following figures given in the Report. The number of factories in British India in 1925 was 6,1926 employing 1,500,000 persons while the total number of actual workers employed in British India in 1921

feature of Indian agriculture is the amount of spare time which it leaves to the cultivator, the greater number of them having at least from two to four months absolute leisure at their disposal, and the rural industries at present are unimportant from the point of view of their demand on labour.

The Commission classifies industries capable of occupying the rural population under three heads : (1) Industries of factory type located in rural areas ; (2) village and domestic industries ; and (3) sale by the cultivator of his labour when there is little or no work to be done on his holding.

Under factory industries the Report includes, (1) Cotton-Ginneries, Rice Mills, Sugar Refineries, Oil-crushing Factories, including also brick work or road-making. All these, if developed, says the Commission, supply one solution of the problem of spare-time employment. (2) Manufacture of agricultural implements throughout the country offers considerable promise, and the Commission recommends Government to encourage the enterprise. (3) Paper manufacture by commercial exploitation of bamboo on the outskirts of forests. (4) Manufacture of oil-cake and bone-crushing industries. (5) Preservation of fruits by drying, canning and making into jams. In the case of these fruit industries, the Commission recognises that the local demand for the products is small and foreign competition is keen.¹

The second head of village and domestic industries includes : (i) the village artisans, who, the Commission recommends, instead of standing in local isolation, must, if they hope to survive the struggle of competition, modernise their own methods of work by adopting power-driven machinery. Government is asked to provide technical instruction to them to manage and repair improved types of machinery which are bound sooner or later to be introduced. (ii) The handloom industry, including lace and embroidery ; the pottery industry, which must seek an expansion of trade in ornamental pottery, preparation of insulators for telegraph poles, and improvement in the quality of bricks, which would facilitate the construction of better housing ; rope-making, which though in the past was universal in the villages is now declining, and for

in industry of one kind or another including factories was 12,800,000 or 10½ per cent. of the total working population.

¹ The possibilities of developing fruit and vegetable production for the market are dealt with in Chapter XVII on Horticulture and Plantation, (of tea, coffee, rubber, and indigo). Dairying is dealt with in Chapter VII, on Animal Husbandry.

which there is still a scope, since fibre of a high quality is everywhere abundant. Rope-making machinery of a simple type may be introduced. (iii) Sericulture is another village industry ; it is, however, threatened by serious competition from artificial silk. (iv) Poultry-rearing for the development of which there are vast opportunities. There is a large demand for poultry and eggs in India itself. There would be further possibilities in drying or preserving eggs for export and of manufacturing dried albumen. Government can further the industry, principally by a carefully planned programme of experiment and careful recording of results. Mention is made of the encouragement given to the industry by the Government of the United Provinces. (v) Lac industry for which India holds practically a monopoly. Orissa exports lac worth crores of rupees. The formation of a committee, on the lines of the Indian Central Cotton Committee, is recommended for the development of the industry.

In reviewing the position with reference to rural industries the Commission says that what is most required to stimulate their development is new ideas ; in silk-weaving, e.g. by the supply of attractive patterns ; in the pottery industry, new lines of development such as the making of insulators for telegraph poles ; in carpentry, patterns of simple articles of furniture and of suitable containers for the marketing of village products. Next in importance is thorough instruction in modern processes. But markets external to the locality should not be neglected. The Commission, however, points out that with all this the contribution which rural industries can make, in reducing the heavy pressure on land is infinitesimal, and in the nature of things they cannot, as a rule, hope for ever to survive the increasing competition of organised industry and their possible expansion is strictly limited. The Commission therefore lays down that the chief solution of the problem of the cultivator is intensification or diversification of his agriculture. To put it briefly, says the Commission, the possibilities of improving the condition of the rural population by the establishment of rural industries are extremely limited. However, to keep the industries in a position to survive the competition to which they are increasingly exposed, the Commission suggests that the question of organising village artisans on a co-operative basis for purposes of credit, of purchase of raw materials and of marketing, should receive the attention of both the departments of Co-operation and Industries in every province. Where artisans are thus organised co-operatively Government might, where special needs

exist, make advances to the societies for the purchase of improved machinery.

Referring to the question of migration of surplus labour to factory industries, the Commission recognises that it is the only alternative to semi-starvation or at least scarcity, though it acknowledges the risks and disadvantages of the transfer of rural population to urban areas and factory conditions. There are, however, indications that as industrialism spreads, the tendency will be to multiply the number of small local factories rather than to increase large factories in the cities. This tendency will be to the cultivator's advantage. The co-operative movement can play an important part in linking up the cultivator and the cultivator's produce with these localised factories. The Commission therefore refers to the Departments of Industries constituted in the various Provinces, and points out that amongst their functions is that of supervision of rural industries. Madras and Bihar and Orissa have passed State Aid to Industries Acts, and the Punjab an Industrial Loans Act. The Commission hopes that the Departments will pay particular attention to the development of agricultural industries. Government should make a careful survey of economic possibilities of such industries. Technical education and co-operative organisation are the only means by which smaller industries can hold their own in the intensive competition of modern times. Government may do much to assist the mutual adjustment between the larger industries and agriculture by its policy in respect to communications and the development of power by technical education, and by the collection of marketing information. In the case of the smaller industries Government will have to be prepared for a long time to come, to advise and make suggestions for development; and when a new industry is being started, Government will have to make itself responsible for it in its pioneer stage. If a Department of Industries is to achieve any success in the promotion and the assistance of rural industries in the ways indicated above, its Director, says the Commission, must possess considerable power of organisation¹ and also a closer understanding of, and sympathy with, rural needs.

¹ Mr. Kamat differs and supports the view of the Industrial Commission that the Director of Industries must be a man with special qualifications which, in addition to the power of organisation, should include "in the first place, a business sense, i.e. the capacity of appreciating the technical features of industries in their bearings on commercial possibilities."

Coming to the possibilities for the employment of an agriculturist away from his village, the Commission observes that in no province, except possibly in Assam, is there any indication of a serious general shortage of labour. The labour problem is to-day the same from the agricultural point of view as it was when the Famine Commission reported in 1880, viz., to lessen the pressure of population on the land. Though there has been an increase of 22·8 per cent. in the urban population as against 10·5 per cent. increase in the rural population in 1921 over the figures of 1891, the addition in the number in the case of the latter is far greater. Large scale industries cannot be expected to be developed to an extent likely to relieve materially the pressure on the land. Migration should be encouraged as much as possible and all restrictions on the free movement of labour in India should be reduced to the minimum, and be abolished as soon as possible. The Commission, however, notices innate factors limiting free movement of labour. The most important of these is the widespread attachment of the farmer to his piece of land, owned or hired. Secondly, there is the factor of indebtedness. Most cultivators are tied to their village by their relations with the village money-lender who puts every obstacle in the way of their emigration. Lastly, there is the important factor of ill-health due to chronic malaria, hook-worm and the like. To encourage migration, health conditions should be improved in certain areas and definite schemes of colonisation must be introduced. The method adopted in Burma of establishing colonies under the ægis of the co-operative department is worthy of consideration by other provinces. Finally, the Commission considers possibilities of emigration abroad and observes that since 1917 such emigration has been strictly controlled by Government and that political difficulties have also to be reckoned with. In some cases as in that of Ceylon, there is little further scope for absorbing Indian labour on the estates. British West-Indies are not at present ready to absorb further immigrants. The prospect of any considerable emigration is confined to British Guiana, which is capable of absorbing a population of about 3 millions and the Commission recommends that the scheme, now under consideration for promoting emigration to that colony, is worthy of further exhaustive investigation.

The above is the brief analysis of Chapter XVI of the Report. It is rather surprising that the Commission makes no mention of such important industries as tanning and bee-culture, which can only have a chance of being introduced, if Government were to

take the initiative ; and it is both surprising and disappointing that it is entirely silent on the subject of hand-spinning, expressing no opinion on it, one way or the other, although the subject was forcibly urged on its attention by several witnesses almost in every province. As regards the other village industries specified in the Report, the Commission no doubt, makes various recommendations to Government, but it is doubtful whether the authorities will bestow much thought on them in view of its definite verdict that *with all the encouragement given to them the contribution which the rural industries can make in redeeming the heavy pressure on land is infinitesimal, and in the nature of things they cannot hope for ever to survive the increasing competition of organised industry, and their possible expansion is strictly limited.* On the other hand large scale industries, according to the Commission, cannot be expected to be developed to an extent likely to relieve materially the pressure on the land. As to the third alternative of the employment of the agriculturist away from his village, that too according to the Commission has limitations. Migration within the country is beset with difficulties and the scope for emigration abroad is limited.

The conclusion arrived at by the Commission "That the chief solution of the problems of the cultivator is intensification or diversification of his agriculture," is therefore, theoretically quite correct. For, there is no doubt that by the application of improved implements, fertilising manures and select seed, as also by rotation of crops wherever possible, Indian agriculture is capable of yielding double the crops it yields at present, if not more.¹ Even an increase of 50 per cent. over the present yield will materially improve the economic condition of the farmer. Though the proposition is sound in theory, its application is extremely difficult in our country. Indian agriculture has become a veritable gamble in rain. That is why the farmer is extremely unwilling to invest more on his farm than he does at present. The holding of the average farmer being very small, he thinks that to invest further on it than he does is to throw good money after bad. Further, it may be considered whether a farmer would be well advised to throw all his eggs in one basket. Even in Europe and America every farmer has two

¹ The average rice production per acre in India is 860 lbs., in Japan it is 3080 lbs., in Spain it is as much as 5016 lbs. The average wheat production per acre in Italy is 868 lbs. and though in the United Provinces it is 887 lbs., in the Central Provinces it is only 496 lbs. and in Gujarat it is as small as 380 lbs.

strings to his bow. Would the Indian farmer, then, be well advised to depend solely on agriculture in spite of its uncertain nature? In fact he stands in greater need of subsidiary occupations as a second string to his bow than his brothers in other countries. Mr. Calvert, one of the members of the Commission, has correctly observed elsewhere, viz. in his "*Wealth and Welfare of the Punjab*" (p. 78): "The Punjab small holder, in short, is trying to make a living out of his few acres without the aid of animal husbandry or domestic industries, a task which nowhere in the world seems to have been accomplished with any profit." What is true of the Punjab is true of every part of India. How can the Commission expect the Indian cultivator to accomplish a task *which nowhere in the world seems to have been accomplished with any profit?*¹

Secondly, supposing for a moment that the Indian farmer is willing to invest more money on his agriculture, where is he to bring it from? Even for the present methods of his cultivation he has to depend on his money-lender. Co-operative credit has not reached even 10 per cent. of the agricultural population, and even where it has reached, it has not wholly relieved the people from the clutches of the money-lender. The present agricultural indebtedness runs into several hundreds of crores. Sure enough, some new source of wealth has to be tapped, and that source can only be found by finding subsidiary occupations. With the proper development of these occupations he is sure to invest more on his field. The benefit derived from the one will have a healthy reaction on the other to the benefit of both. Subsidiary occupations in the case of the Indian farmer, therefore, are of vital importance to enable him to improve his agriculture and with it his economic condition. Dependence solely on agriculture, even with all the suggested improvements, will not solve the problem of unemployment during three months of a year of one-third the population of India, taking the actual workers only into consideration. Nine months' farming cannot support 12 months' living, even taking

¹ The Famine Commission Report, (1880) Part I page 34, after pointing out the hardships caused by the great mass of the people depending solely on agriculture, lays down: "The complete remedy for this condition of things will be found in the *development of industries other than agriculture and independent of the fluctuations of the seasons.*" The Montague-Chelmsford Report at page 332 points put, "The economics of a country which depends to *so great* an extent as India upon agriculture must be *unstable.*"

Note.—The Italics in the above quotations are not in the original.

the most optimistic view of the proposed "intensification or diversification of our agriculture."

Thirdly, the farms of most of the agriculturists being under mortgage, they are naturally suspicious that any improvement effected thereon might go to increase the greed of the money-lenders tempting them to tighten their hold on them.

Fourthly, the present system of land revenue does not inspire confidence in the mind of an average agriculturist, who somehow entertains an apprehension, rightly or wrongly, that the gains made by improvements in cultivation might slip out of his hands by a disproportionate increase in assessment at its next revision.

Fifthly, even if the output of land be increased to the utmost possible extent, is there a guarantee that the producer will thereby be benefited? In the first place, a larger quantity of the produce than at present will have to be placed in the market. The ultimate market which dictates prices is removed by several stages from the village which is the seat of production. Its strings, even at the middle and the first stages, are not in the hands of the producer, but are controlled by persons whose sole concern is to monopolise the biggest slice out of the profit. In the next place, India has not got the monopoly of the important articles of marketable agricultural produce, such as wheat and cotton. It is America with its highly well organised markets that dictates prices of these commodities. Where is, therefore, the guarantee, it may again be asked, that the Indian producer will reap the benefit of the increase in the produce? The countries which consume that produce will no doubt be benefited by its increased output, but the producing country, having neither the control of the market nor of the exchange, may fail to be benefited by it, much less the producer in the remote village. Production of articles of food and clothing for their own use is, therefore, a surer and safer method of employing India's surplus population and the idle days of its cultivators than the production of commodities for the market. And in view of the extent of cultivable land in the country being limited, both from the point of view of individual holdings and of the proportion it bears to the number of cultivators, the less the people depend on land for the production of those articles the greater will be the chance of ultimate success. In other words, the salvation of the Indian farmer must be sought in subsidiary occupations for the increased production of food and clothing, and every effort must be directed to and every avenue explored in finding out the solution.

CHAPTER VII.

PEOPLES' CO-OPERATIVE BANKS

BY

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CHAPTER VII.

PEOPLES' CO-OPERATIVE BANKS

I.

NEED FOR PEOPLE'S BANKS IN DISTRICT AND TALUKA TOWNS. For a wider spread of the Co-operative movement as well as for its intensive development, it is highly desirable that efforts should be made for starting Peoples' Banks in every District and Taluka centre. The importance of such a Bank is very great and its potentiality for co-operative work considerable. It will finance a large number of traders, artisans, craftsmen and agriculturists residing in District and Taluka towns and in course of time, will stimulate industries in and around those towns. At present all banking facilities in our country, have become concentrated at the Provincial centres and a few important cities. Thus, while the agriculturists, are starved for want of funds, and the traders, artisans and craftsmen are struggling on account of the absence of any system of well-regulated finance, all surplus wealth tends to accumulate only in a few cities in every province, leading to the inevitable demoralization in the form of speculation and formation of unsound companies. Industries have become and are still being concentrated in a few centres, leading to bad housing, insanitation, ill-health, discontent, disease and premature deaths among a large number of workers. We are, however, still only at the earlier stage of our industrial evils, and all efforts should at once be made to check them before it is too late. The only sure remedy against the evils is not to do away with the industries, but to decentralise them by spreading them over a large area of the country. This is not possible unless we bring banking facilities within easy reach of the people residing in District and Taluka towns.

It is most desirable in the ultimate interest of the people concerned that banking for this purpose should be conducted on co-operative lines, so that the people themselves could regulate the banking system in their own interest and have control of the credit facilities monopolised at present by the merchant princes and industrial magnates of Presidency towns. Here is practically a virgin

field for co-operators to spread their gospel of co-operation. In England when co-operative workers like Wolfe and others were preaching the benefits of Peoples' Banks to their countrymen, a network of Joint Stock Banks had already spread over the whole country even to the remote small towns. Co-operative Banking had therefore no chance in that country against so formidable a rival. Here in India, on the other hand, the field is large and still unoccupied, and it is most desirable that co-operators should capture it betimes and hoist their own standard.

REPOSITORY OF PEOPLE'S SAVINGS. At present the savings of people in smaller towns are either used in the purchase of lands and ornaments, or find their way to the few big cities by way of investment in shares of Joint Stock Companies or as deposits with them or with the Postal Savings Banks, and thus these are lost to the place where they are badly wanted for fructifying its own resources. Peoples' Banks however in our towns are sure to attract all or most of these savings and afford financial aid to the people who stand in need of it, and thus promote agriculture, local trade and industry.

FACILITY FOR INTERNAL REMITTANCE. There is hardly any civilized country in the world except India which has to move so much bullion and currency from one station to another to adjust internal trade balances and this primitive method of transfer of money is a great set-back to the rapid expansion of the country's trade and commerce. But Peoples' Banks when started in all small towns will so organize the credit of our country as to remove this drawback, by adjusting these trade balances by means of cheques, demand drafts and hundies.

ORGANIZED CREDIT DEVELOPS AGRICULTURE, TRADE AND INDUSTRIES, IN MOFUSSIL TOWNS. Credit when organized, quickens the movement of capital as the rail quickens the revolution of wheels. Consequently ordinary money-lending is to a bank, what a bullock cart is to a railway train. Just as a train can carry a large bulk of cargo or passengers over long distances for a comparatively small fare, so is a bank in a position to lend a large amount of money at a low rate of interest for financing trade and industry. No organisation of industry or trade on any scale is practicable without the previous organisation of credit. In fact credit in its organised form has become the very

ruler of the world. Under present conditions Joint Stock Banks cannot succeed in Taluka towns ; nor can the advantage of joint stock concerns started in central towns be extended to people living in far off places, for they cater to the wants of big persons preferably living in those towns and thus the inhabitants of smaller towns are left to their own resources. Happily, co-operation can take the place left vacant by Joint Stock Banks, and enable the inhabitants of such small towns to organize their banking, trade and industry. By organising credit, it would be quite possible to bring these Co-operative Peoples' Banks in touch with the banks in large towns, just in the same way as a light railway by its junction with the main line connects the traffic of smaller places with those of bigger towns to the advantage of both.

ADVANTAGES OF DEVELOPING CHEQUE SYSTEM. The value of the cheque system in banking is apparent in that it promotes a large circulation of money without the necessity of handling specie or cash. Co-operators are very anxious to popularise the cheque system. But village credit societies, on account of the backwardness of the people, cannot be expected to take readily to this system. The level of education being higher in the Taluka towns, Urban Banks in those towns may be expected to take up the cheque system with greater chances of success and spread it among the neighbouring villages.

NUCLEUS FOR CO-OPERATIVE ACTIVITIES. A Peoples' Bank in a District or Taluka town will besides be a nucleus for co-operative work of every kind. A Taluka Branch of the Institute will be its natural concomitant. Taluka co-operative conferences can be organized every year without extraneous prompting. Our Taluka Co-operators will be the mentors of all co-operative activities in the neighbouring villages. The Taluka town will in course of time be the seat of a Supervising Union, of a Co-operative Library and even of a Central Bank. Thus we shall be able to utilise by concentration of activities, the limited personnel available to the best advantage of the movement.

POTENTIALITIES OF A TALUKA TOWN. Almost every Taluka town is the seat of an Anglo-Vernacular School, a Mamlatdar's Kacheri, and often a Subordinate Judge's Court. It is, moreover, the market place for all the neighbouring villages. Many permanent residents there own lands in the surrounding

villages. We find in all these places a number of energetic and educated people with a desire to devote some part of their leisure for the welfare of their country. They would therefore be most willing to help the poor in their own neighbourhood, and take part in efforts calculated to promote the trade and industry of their towns. To these we may look forward to take up readily the idea of starting a Peoples' Bank in their midst.

It is not necessary to write more about the desirability of organising Urban Peoples' Banks. The necessity for promoting these Banks is really great and the prospects of their success are almost certain. We shall therefore now proceed to describe these banks, give an idea of their functions, chalk out the lines on which they are developed in other countries and from that we shall see how they can be organised and conducted in India.

II.

Functions of Urban Banks

Co-operative Credit Societies with limited liability which are promoted for the benefit of the inhabitants of towns or cities without any distinction of caste and creed go by the name of Peoples' Co-operative Banks. The majority of the members of such banks must not be agriculturists. It is not therefore to be understood, that such banks do not finance agriculture. Yet, in fact, the bigger landholders and larger farmers are likely to be attracted to these institutions, as they will be able to get the required financial assistance only from such banks. Urban Banks would therefore render quantitatively far greater help to agriculture than village credit societies or village banks can ever be expected to do.

1. *Short-term credit.* However the principal business of Urban Co-operative Banks is short-term credit; and in this respect they mostly resemble ordinary commercial banks. Commercial banks in India have been organised after the British model of Joint Stock Banks. The British Banks only deal in short-term credit; and in the United Kingdom where industrial finance is undertaken by trustworthy promoters, capable underwriters and issuing houses, the system works quite satisfactorily.

2. *Industrial Finance.* In India where industrial concerns have only to look to banks for long-term finance, the British system is not likely to work for the benefit of our nascent industries. It is therefore quite necessary that joint stock banks should with certain safeguards take up industrial finance. The same arguments apply

with much greater force to Peoples' Co-operative Banks ; if industrial magnates of Presidency towns require help from commercial banks, the greater is the need of facilities for finance in the case of small industrialists in mofussil towns, where there are no joint stock banks and where there is a virgin field for the operations of co-operative banks. It is therefore the legitimate function of Urban Co-operative Banks, to so arrange their system of working, that they may be able to help the comparatively small industrial concerns in their localities.

3. *Financing against Agricultural Produce.* Another very important branch of banking business, which Peoples' Banks should take up is the financing of the marketing of the produce of the land, from the fields down to the port and even up to the foreign country. The present method of handling our export trade business requires to be rectified as early as possible. Our export trade is at present served largely by outside finance, to a great extent from the importing country. This system of financing our internal trade for export purposes, is not to our best national interests, and Peoples' Banks must take up the work of financing the marketing of agricultural produce from the field right up to the port.

4. *Financing Inland and Local Trade.* In the present economic condition of India, it is inevitable, that agrarian, industrial and commercial credit both for short period as well as long-term purposes, should be made available by joint stock banks as well as co-operative banks. Peoples' banks have therefore to finance bigger agriculturists for their current agricultural needs as well as for agricultural improvements ; they have also to help various industrial concerns by granting them short-term as well as long-term advances. Over and above this, they have also to undertake the ordinary commercial banking of financing inland export and import business. Peoples' Banks should however also finance local trade and help the traders, merchants and shop-keepers whose business is to sell their goods for local consumption. Credit facilities, if made available to these merchants, will enable them to purchase their requirements for cash and hence at a lower cost.

There is very large trade between different trade centres of India in different commodities, raw and manufactured, and with a net work of Co-operative Banks all over India it would not be difficult to ascertain the financial position of different merchants. Exporters of goods thus will be able to get information about the respectability and financial status of those who are placing orders with them, and it would be easier for merchants to collect debts

from any place in India. All this business requires financial facilities and Peoples' Banks will help a great way in this handling of the inland export and import business.

III.

Resources of Urban Banks

In view of all this business that has to be undertaken by Peoples' banks, let us consider what resources they possess for the purpose.

SHARE CAPITAL. In all limited liability concerns share capital is the real sign of their security, the foundation of their existence. The larger the share capital, the greater will be the security to depositors ; but Co-operative Banks are not in a very happy position, so far as share capital is concerned. They always begin with a small capital. One man is not allowed to purchase shares for more than Rs. 3,000/- and dividend on these shares is limited to 10 per cent. and therefore these concerns are not able to easily increase their Share Capital.

The theoretical conception of a share in a Co-operative Society is quite different from the conception of a share in a Joint Stock Company. In a Co-operative Society, a share is merely to be taken as a contribution. In a Joint Stock Company the share is an investment of a definite value at starting which value successful or unsuccessful operations in a year may increase or diminish from time to time. This is a trading conception. The object aimed at is profit. The share in a Co-operative Society is a contribution and is mainly paid towards a common fund, with which to create a common service. The aim of profit arises only outside such service as its secondary result. Recognized as a contribution, it becomes insusceptible of frequent appreciation or depreciation. Under these circumstances, it becomes difficult to increase the share capital of Co-operative Banks and there is hardly any desire on the part of members to purchase shares even to the maximum limit of Rs. 3,000/-.

Besides this, the value of shares in Co-operative Banks is generally small varying from Rs. 10/- to Rs. 25/- and this is also a handicap in increasing the share capital.

If, however, Urban Banks are to undertake all kinds of business described above, it is quite necessary that their Share Capital must

be pretty large. Co-operative Banks will therefore do well to encourage their members to acquire more shares than one, as time goes on. These banks should advance only ten times the value of shares purchased by a member. It is not the borrowers only who may be made thus to contribute towards the capital but even the depositors also may be asked to purchase shares to the extent of $1/10$ th of their deposits in order that they may get the benefit of special deposit rates that are quoted to such members and may be entitled to the bonus given to depositors. In this way the share capital of Urban Peoples' Banks would rise progressively and enable them to undertake all kinds of business that they should take up.

RESERVE FUND. The share capital in Co-operative Banks, can very well be supplemented by the creation of a reserve fund ; for a Co-operative Bank the accumulation of a sufficient, nay, ample reserve fund as an addition to capital is in the very nature of the case a matter of immeasurably greater importance than it is to an ordinary bank which as a rule begins with substantial share capital.

The Co-operative Act requires that at least 25 per cent. of the net profits made by these banks shall be carried to the Reserve Fund. This percentage is not very high. If we study the Balance Sheets of various Commercial Banks, we shall notice that these Banks are also very careful to build up a strong reserve fund. If anything goes wrong with a bank and losses are incurred, the management can at once look to the Reserve Fund for making good these losses and therefore a strong position in the reserve fund makes the share capital proportionately safe. It is only after the whole reserve fund is exhausted that the members will begin to lose their share capital and hence the greater the amount of the reserve fund, the less the chances for the members to lose their share capital. Co-operative Banks will therefore do well in carrying forward a higher percentage of profits to the reserve fund, whenever they have made larger profits.

Between the reserve fund of a Co-operative Society and that of a commercial concern registered under the Indian Companies' Act there is a great difference. The surplus assets of a cancelled society, after all its liabilities including the paid-up share capital have been met, are not to be distributed amongst the shareholders but are to be reserved for similar objects of a co-operative nature.

In a Joint Stock Company the surplus assets are to be distributed amongst the shareholders in proportion to the number of shares held by each.

If a society works unsuccessfully and makes a loss and if in winding up, the share-holders do not get back the amount paid by them, nobody is to make good the loss to them. In the same way if the society works successfully, and has been able to show a surplus after all the liabilities including the paid-up share capital have been met it appears just and equitable that those who have risked their moneys by purchasing shares should share the surplus.

This argument, however smacks of commercialism. A Co-operative Society is not started with the object of making profits, but its main object is to render service and to make that service as cheap as possible. In a Co-operative Society, after capital gets its legitimate share, merely by way of interest, the profits must go to custom. If therefore the members of a Co-operative Society are loyal to their institution and if the business is carried strictly in a co-operative spirit, no loss is possible. If there are losses, either the members are not loyal or their management is not efficient and they should therefore share the losses ; but if there are profits and if there are surplus assets, members in their individual capacity are not entitled to share the surplus in proportion to their share-holding ; but this surplus has to be reserved for another venture having similar objects. If such an arrangement is not made it is quite possible that after a Co-operative Society has been successfully worked, the members by a majority would like to dissolve the society merely with the intention of dividing the surplus assets and thus a good helpful institution, built up by the labours of a generation, may have to be closed merely on account of the greed and cupidity of some short-sighted members.

However this provision about the reserve fund of a Co-operative Society, is very much misunderstood, so much so that illiterate people are very often found to say that the reserve fund is the property of Government ; and so they are inclined to find out some excuses or some objects for using up the reserve fund.

The main object of building up of a reserve fund is to consolidate the financial position of a society so that even if losses occur, the initial capital of members may not be at stake ; not only this, but the final object of a Co-operative Society is to pay back the share-capital when the Society is in a position to carry on all its business merely on the strength of its reserve fund ; when this position is reached in a Co-operative Bank, it will be able to grant financial

accommodation on very cheap terms. Under these circumstances it is quite legitimate that the reserve fund in a Co-operative Society should be the joint property of members and that the same should not be divisible amongst the members. Attempts should therefore be made to build up a strong reserve fund.

The next point to be considered about the Reserve Fund is how it is to be invested ; whether it should be invested outside the Society or in the Society. So far as this subject is considered from the point of view of the Bank, it is hardly material whether the investment of the reserve fund is to be kept in the Bank or outside. A Bank which accepts savings and current deposits is bound, by the nature of its business, to keep very large fluid resources and so it will not be worth while asking such an institution to separately invest its reserve fund which is likely to be comparatively a smaller portion of its working capital. It does not therefore matter if the reserve fund is not separately invested but is used in the Bank in its own business.

DEPOSITS. Besides Share Capital and Reserve Fund, Co-operative Banks also attract deposits. The management of these banks would generally be in the hands of the leading citizens of the town ; and since the moneys of the Bank are to be utilized for developing and helping the trade and industries of the town, local patriotism is likely to induce every one to feel interested in the development of the institution. Deposits are therefore likely to be attracted to these institutions gradually, as they earn a name for good management and sound banking.

Such deposits will be of three types :—Fixed, Savings' and Current Deposits. Fixed deposits are more costly than the other kinds of deposits but they enable the managers to be at some ease, because they cannot ordinarily be withdrawn before the due date. Savings' Bank deposits are usually considered to be cheap as well as good lying money, and as, in this class of deposits, many small amounts go to make up very large amounts, they enable the banks to collect good working capital without putting the management into great difficulties. Current Account Deposits are the cheapest form of deposits but they are the most difficult to handle. Large amounts may be deposited in single accounts and heavy withdrawals from a few such accounts, may be ordinarily expected and provision for good fluid resources must always be made. The management of banks accepting current account business must be expert. If, however, the Banks that accept good current account

business, develop inland exchange business i.e. the business of buying and selling Demand Bills and cheques on different market towns, they will be able to profitably employ their current account funds and will, at the same time, keep the funds practically in hand.

Besides accepting deposits, Peoples' Banks can also count upon the assistance of the Central Co-operative Bank of their District, the Bombay Provincial Co-operative Bank as well as the Imperial Bank of India and other Joint Stock Banks. Such assistance may be received by rediscounting of hundies purchased from their members ; or by getting loans and overdrafts either on the security of Government Papers and such other securities or by endorsing in favour of the Bank the bonds received from their members. Precaution should, however, be taken that the Bank does not rely too much on such assistance. Such assistance, if resorted to temporarily or under a crisis, is quite wholesome and useful for the bank and makes it all the stronger for it, but if such assistance is often resorted to, it will be a source of weakness rather than of strength.

There is however, a wholesome check—a restriction under the Co-operative Act, to accepting of these borrowed moneys. The total amount of deposits and loans which an Urban Co-operative Bank, can accept cannot exceed eight times its paid-up share capital plus the reserve fund. This restriction is quite reasonable and is not such as to put unnecessary restraint on the safe acceptance of deposits. If we study the Balance Sheets of various Joint Stock Banks we will find that though these banks have no restrictions of any law, to prevent them from accepting deposits at any stage, they consider it prudent and safe not to go beyond ten times the share capital and reserve fund. The restriction under the Co-operative Act is therefore quite liberal enough, particularly when we bear in mind that we have yet to provide expert management for our Banks.

Such are the resources available to Urban Co-operative Banks, and if these institutions are managed efficiently, are able to repay their deposits regularly and promptly, and provide all reasonable facilities for their constituents, we can expect them to find enough resources to handle all kinds of business that they could profitably take up.

IV.

Development of Urban Banks in Germany and Italy

We shall now describe the development of Urban Banks in Germany and Italy.

URBAN BANKS IN GERMANY. Schulze Delitzsch was the apostle of the Urban Peoples' Banks movement in Germany. These are share banks and were originally started with unlimited liability but later on when limited liability was allowed by German Law, most of them adopted limited liability. Schulze would not limit a bank to any particular district but would leave it to the bank itself to determine over what area it could with safety extend its services. He did not believe in raising moneys by loans and rediscounts, but encouraged Savings' Bank deposits as these were "good lying moneys" as he called them.

In these banks, credit was granted only against security but that security was to be mostly personal, and mortgage security was as a rule not approved. Punctuality in the repayment of the loan was insisted upon. The management of these banks is in the hands of a large General Committee and there is also a small executive body consisting of three persons, two of whom are necessary for every action taken. There is also a separate inspecting body. This Executive Committee consists of permanent salaried officers, who are also remunerated by commission on business, as well as by fixed salary and are selected only for their fitness, trustworthiness and banking capacity. Schulze did not believe in gratuitous services and generally said that the labourer is worthy of his hire. Members of the Managing Committee are also remunerated by fees for attendance. The Managing Committee meets only once every three months for reviewing the business done and they are assisted by the skilled investigation of an accountant. Membership of these banks is easy. Purchasing of one share and paying the admission fee which is levied per head or per share is enough to make a person a member.

LOANS. In these banks advances are made by fixed loans or cash credits; and as security for these, pledgeable securities are also accepted just as in commercial banks. These banks have an appraising committee to appraise the qualification of credit of

each member. The bank authorities keep a credit list which is revised from time to time. The most usual form of making an advance is by an acceptance. This is a favourite record of a loan which also secures liquidity. The credit is usually given for three months with renewals pretty freely granted which sometimes extend from ten to twenty years. These banks are sufficiently big to keep the proportion of management expenses sufficiently low, and the tendency now seems to be towards spreading out over a wider area. They employ confidential agents stationed in out-places, who assist the Committee with information. They have in course of time become genuine banks for their particular customers opening drawing accounts, purchasing and selling shares and bonds, and doing all that modern usage requires a bank to do. One great mistaken impression about them is that they, being urban institutions, are unqualified to render any service to agriculture. No impression can be worse founded than this, as can be seen from the working of the Agricultural Credit Association of Augurburg and the Credit Association of Gotha.

AGRICULTURAL CREDIT ASSOCIATION OF AUGURBURG. This is a typical big bank in Germany. Looking at the figures of 1911, it has a paid-up share capital of £90,000, the value of a share being £50/-. It has built up a Reserve Fund of £38,000/- and its membership consists of 13,000 persons. This bank grants every year loans to the extent of £1,300,000 out of which £240,000/- are advances to agriculturists scattered over the whole of Bavaria, which is as large as Scotland and has a population of $6\frac{1}{2}$ millions. In a year about 7000 loans are granted to agriculturists. The average amount of these loans is £30/- though loans to the extent of £1,500/- even are advanced to one single party, while the smallest loan to the individual is as low as £2½. Industrial lending is undertaken by granting cash credits. Interest at the rate of 5 per cent. is charged on bills discounted but the commission raises it to $6\frac{2}{3}$ per cent. This bank employs 250 agents stationed all over its province, who are paid commission at 1/8 per cent. on business done through them. There are also confidential agents in each district, who however are not paid.

CREDIT ASSOCIATION OF GOTHA. The area covered by this institution is the Duchy of Gotha. It is particularly popular as a Savings' Bank. It has more than 50 local committees con-

sisting of from 3 to 5 persons. These Committees subject all applications coming to them to a careful investigation and each member separately advises the bank, by writing down his answers to the questions put on the printed forms and forwarding them like voting papers to the Central Office, which is free to take any action after perusing the various opinions. The local Committee-men receive a small commission on business negotiated. In this way the bank is able to deal with 3,000 members out of its total membership of 4,000 persons. These are traders, artisans and agriculturists. Loans are granted for 3 months but are readily renewed up to 30 months provided 1/10 is paid off at each renewal. The Bank renders very useful service in lending not only to individuals but also to Agricultural Supply Societies, Co-operative Dairies, societies letting out threshing machines, cattle breeding and sheep-raising associations, and such other bodies working for agricultural improvements on a co-operative basis. Its annual lending operations amount to £56,30,000/-.

PEOPLES' BANKS IN ITALY. We shall now proceed to describe the working of some Urban Banks in Italy. The Bank at Novara with its 8847 members is much the largest of the four banks at Novara, Bologna, Venice and Ravenna. It operates over two districts. Bologna has 5,600 members and the other two have nearly 2,000 each. Both at Novara and Bologna the small men preponderate to the extent of 80 per cent. in the former and 90 per cent. in the latter. The Bank at Novara has 46 branches and agencies scattered over an area from Milan to Turin. Though predominantly urban, they do a large business with farmers, and in 1908 nearly £20,000,000/- were advanced to agriculturists. Many of the branches and agencies of the bank at Novara are in townlets or large villages, where the bulk of the business done is agricultural and at Ravenna over 50 per cent. of the bank's whole business is said to be with farmers. The small farmer and the small manufacturer and the small trader are in fact the three largest classes served by Peoples' Banks; but the membership is essentially varied and includes all categories from the large farmer and manufacturer to the artisan in the town and the field labourer in the village.

THE MILAN BANK. The Milan Bank has become one of the marvels of Italy. It is lodged in a palace. It employs, in addition to about 70 unpaid officers, more than 100 clerks. The

number of its members stood at 24,774 in the year 1909, its paid-up capital at £3,84,780/-, the Reserve Fund at £1,92,388/-, deposits at £65,45,972, turnover at £10,71,38,691, net profit at £61,247 and dividend at $14\frac{1}{2}$ per cent. It carried on business with more than 300 other Benche Popolari. Of the hundreds of banks which dot the Italian territory from the Alps to the Mediterranean, the Peoples' Bank of Milan is either the mother or the nurse.

THE BOLOGNA BANK. The great "QUEEN BANK" of Milan, indeed, with its mighty volume of business, is to be held up rather as an instance of signal success than as an absolutely perfect model. Mr. Luzzati himself has awarded the palm for quality among all his banks to the excellent Banca Popolare of Bologna. We therefore give below the figures of working of this bank. The paid-up share capital of this bank is £63,444, and its Reserve Fund is £1,17,266. Its turnover amounts to £2,844,243 and it makes on an average an annual profit of £12,701. The total number of its members is 5,573; the bank lends out annually £1,846,126 at from $4\frac{1}{4}$ per cent. to $4\frac{1}{2}$ per cent. The rate at which it accepts deposits varies from $2\frac{1}{2}$ per cent. to 4 per cent. according to the period for which deposits are made.

Such is the development of Urban Peoples' Banks in Germany and Italy; and we trust that the example given above, will be a good guide and inspiration to those who desire to work for the development of the Peoples' Banks' Movement in this country.

After having given an idea of how Urban Peoples' Banks are working in Germany and Italy, we proceed to chalk out the lines on which such banks can be developed in India.

V.

Lines of Development in India

Under the peculiar circumstances in which we find this country, Joint Stock Banking is not yet organised except in Presidency and other big cities, and therefore co-operative banking has this double field open for its operations. It has not only to cater to the needs of the very small business for which co-operative banking is usually meant but it has also to help the various arts, industries and trades of those cities and towns where Joint Stock Banks do not

find it worth while to open branches. Co-operative banking has therefore a very vast virgin field for its operations and given the right sort of men to be at the helm of these organisations, their success seems quite assured.

This movement has of late been gaining ground and both the number and working capital of Urban Peoples' Banks are fast increasing. There are still very many towns, cities and market centres which do not yet possess any banking facility on modern lines. Most of the places which have already got these institutions have not been able to help the trade and industries of their locality. They have no doubt been able to establish their credit and have been able to attract deposits but the financial assistance so far given by them is more or less for social and other personal needs ; a large number of the borrowers, who are borrowing for social needs, have not proved their capacity for savings and hence overdues preponderate. This line of business requires to be changed and loans for industrial and commercial purposes should be more and more encouraged. This presupposes expert management and many of our Peoples' Banks cannot afford to engage the services of men who have practical experience in this line. Besides in the mofussil towns, there is a very small number of well-to-do businessmen and industrialists and they are the proper persons to be at the helm of these institutions. To allow these men to utilise the services of these banks or not is a very difficult question. Financial assistance to these men may be to their own interest and may be to the detriment of the bank. In case there is a branch of a Joint Stock Bank, the Directors of the Head Office will decide the question of giving accommodation to men in the mofussil and the banks' interests will therefore be invariably attended to. In Co-operative Banks the question of financing the directors is rather knotty and if these banks are to develop on right lines this question must be satisfactorily solved.

The policy of the Co-operative Department is in favour of organising a separate institution for each city or town and even towns, having a population below 20,000/- must have a separate organisation. If we compare this system with that prevalent in Germany or Italy, we will find that in those places, the area of operations of the Bank is left to the organisers of the Bank. They are to have a free hand in deciding the area the promoters desire to work for. Under the circumstances, we find very many banks, working over a very large area, having a large membership and a large working capital with many branches and sub-committees

to help in the conduct of business. It is on this account that men of the right stamp come forward to join the co-operative banks in Germany and Italy and they are benefited by joining the same. Here, in India separate institutions for each city and town, are the policy with the result that directors have to be either philanthropic citizens, working for the good of others and where such men are not available the results are far from satisfactory. It is therefore quite necessary that Peoples' Bank should be allowed to extend its operations to one District with branches in all towns in the District, having a population of 5000 or more. There are many practical difficulties in promoting and working small urban banks separately for each town. During the first one or two years of the existence of such a bank the manager must be honorary or very lowly paid. It will therefore be rare to secure the services of the right sort of man and the management falls in the hands of a person of lower calibre, whom it will be very difficult to remove after he has worked in the institution for a number of years. Besides the development during these years may not be on right lines and it will therefore be very difficult to improve the working of the bank afterwards. If, however, a Peoples' Bank has been found to be working satisfactorily in a district town and has sufficiently established its credit and business, it will be easy to induce the directors of such a bank to start branches gradually in different taluka towns of the District. Such a bank can well afford to work a branch even at a loss during the first two years with a good prospect of not only making good that loss but also of making substantial profits later on. The banks in Europe have been able to develop their business tremendously because they are working on this line and if the object of the co-operative peoples' banks to develop the trade and industries of India is to be fulfilled, these would be the right lines on which development should proceed here. Rather than having many tiny banks with unqualified and inefficient management, it is far better to have a few well-staffed bigger institutions.

Another line on which this movement should be developed is by the organisation of Union of Peoples' Banks, for a linguistic division and also for the whole Presidency. Some of the drawbacks of the Urban Peoples' Banks of Italy are due to these banks being independent of each other and having no sort of cohesion between them; therefore in Italy, though some banks are working well, there are a good many which have not only put aside co-operative principles but are not also in a happy posi-

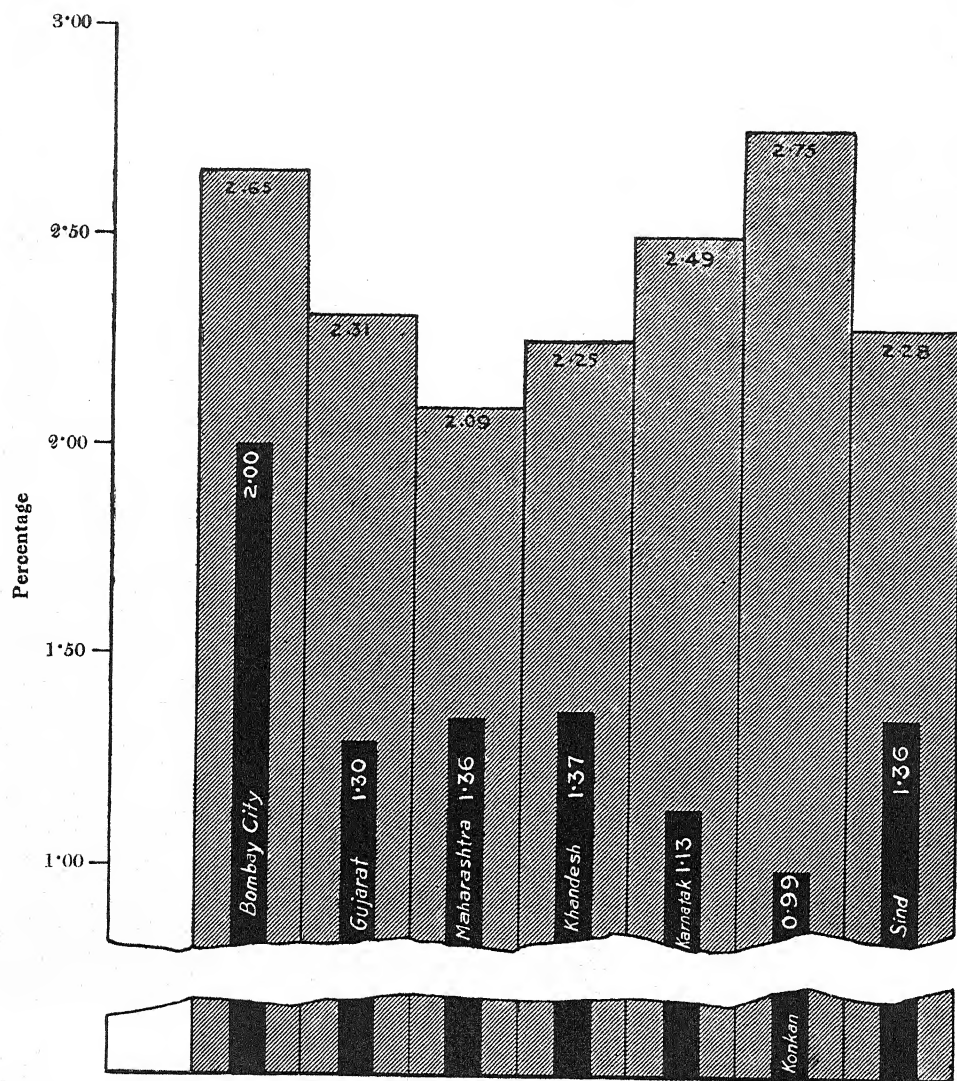
tion. The organisation of Germany in this respect is well worth copying. There all Urban Peoples' Banks have to be affiliated to a Supervising Union or Federation. The result of this is a uniformity of policy in the working of all Peoples' Banks.

If these two suggestions are borne in mind and acted upon in the further development of Urban Peoples' banks, the movement is sure to develop on sound lines and will be a veritable boon to agriculturists, traders, artisans and industrialists of India. There is ample scope for the development of these banks and with their development, the nascent industries of India will also get very good assistance. Here is an ample field for the energies of patriotic citizens of the motherland and we exhort all ambitious young men, coming out of Indian Universities, to consider this to be a national movement and to devote all their time and energies for the development of co-operative banking in India thereby helping both themselves and their country.

Urban Co-operative Banks in the Bombay Presidency as on 31st March 1929.

No.	Name of Bank	Number of Members	Share Capital 000's Rs.	Reserve Fund 000's Rs.	Deposits (and Loans) from Individuals 000's Rs.	Loans (and Deposits) from Banks and Societies 000's Rs.	Total Working Capital 000's Rs.	Loans due 000's Rs.	Profit 000's Rs.	Percentage of Management cost of Working Capital	Audit classification
A. BOMBAY CITY											
(i) Salary-Earners' Banks—											
1	G. I. P. Ry. Employees' Co-operative Bank.	14,939	7,90	1,97	28,28	—	38,15	40,62	94	1.52	A
2	Jackson Co-operative Bank of the B. B. and C. I. Ry.	22,148	4,70	1,44	24,26	1,11	31,52	26,47	68	1.88	A
3	Bombay Postal Employees' Co-operative Bank	5,874	1,85	37	2,15	10	4,47	4,16	22	2.91	B
4	Bombay City Police Co-operative Urban Bank	2,570	2,51	15	18	—	2,84	2,52	17	2.33	A
5	Bombay Port Trust Employees' Co-operative Bank	2,308	1,82	2	25	—	2,08	2,23	15	1.14	A
6	Central Telegraph Office Co-operative Credit Bank	709	43	15	1,72	—	2,30	2,17	10	1.59	B
7	Mazgaon Docks Co-operative Credit Bank	889	86	5	21	—	1,13	80	8	.32	B
8	Government Printing Publication and Stationery Department Co-operative Bank	579	46	5	2	—	53	37	3	2.12	A
TOTAL—Salary Earners' Banks											
	AVERAGE PER BANK	50,016	20,53	4,20	57,07	1,21	83,02	79,34	2,37	—	—
		6,252	2,57	52	7,13	15	10,38	9,92	30	1.48	—
(ii) Communal Banks—											
9	Shamrao Vithal Co-operative Bank	1,940	81	1,09	9,14	10	11,14	5,74	13	1.69	B
10	Nandao Co-operative Commission Agency	333	89	20	1,09	38	2,55	2,53	8	4.38	B
11	Chandrasenya Kayastha Prabhu Co-operative Bank	1,479	18	12	1,12	6	1,48	1,11	4	1.97	B
12	Zoroastrian Co-operative Bank	502	77	—	35	46	1,58	1,17	1	2.31	—
13	Bombay Daxini Brahmins' Co-operative Bank	1,187	30	4	43	—	76	41	3	1.87	A
14	North Kanara Goud Saraswat Co-operative Bank	332	7	3	55	—	64	38	1	.26	B
15	Bhavsar Kshatriya Co-operative Commission Agency	178	23	5	17	18	63	72	4	5.89	B
16	Saraswat Co-operative Banking Society	430	16	3	30	—	50	23	2	.64	B
TOTAL—Communal Banks											
	AVERAGE PER BANK	6,381	3,41	1,56	13,15	1,18	19,28	12,29	36	—	—
		798	43	20	1,64	15	2,41	1,54	5	2.36	—

No.	Name of Bank	Members of	Share Capital	Reserve Fund	Deposits (and Loans) from Individuals	Loans (and Deposits) from Banks and Societies	Total Working Capital	Loans due	Profit	Percentage of cost of Management to Working Capital	Audit Classification
		000's	Rs.	000's	Rs.	000's	Rs.	000's	Rs.		
E. KARNATAK											
41	Dharwar Urban Co-operative Bank . . .	3,702	57	34	5,91	64	7,46	6,43	9	1'06	B
42	Southern Maratha Co-operative Bank . . .	3,285	1,01	61	6,63	70	8,96	6,32	15	'97	B
43	Betegiri Urban Co-operative Bank . . .	2,626	86	36	2,09	—	3,31	2,43	12	'80	B
44	Hubli Urban Co-operative Bank . . .	2,328	1,10	49	5,83	45	7,87	4,66	25	1'10	B
45	Belgaum Pioneer Co-operative Bank . . .	4,041	79	72	8,36	24	10,10	6,85	18	'94	B
46	Raddi Communal Co-operative Bank . . .	1,568	54	20	4,00	—	4,73	4,47	9	1'35	B
47	Sirsi Urban Co-operative Bank . . .	829	26	29	2,29	7	2,92	2,41	7	1'70	B
48	Kumta Urban Co-operative Bank . . .	974	15	20	2,05	—	2,40	1,43	6	'85	B
49	Karwar Urban Co-operative Bank . . .	930	25	29	2,05	16	2,75	1,44	7	1'28	C
50	Kittur Urban Co-operative Bank . . .	833	70	20	26	—	1,16	1,18	9	1'37	B
51	Khanapur Co-operative Urban Bank . . .	605	17	7	53	—	77	82	9	1'77	B
52	Honavar Havyak Co-operative Bank . . .	799	12	13	1,09	—	1,35	1,38	5	'59	B
53	Gadag Co-operative Urban Bank . . .	732	39	9	98	—	1,46	1,46	6	'95	C
54	Ankola Urban Co-operative Bank . . .	895	15	20	2,05	—	2,40	1,34	6	'86	B
55	Gokak Co-operative Urban Bank . . .	794	23	18	1,09	41	1,91	1,73	6	'91	B
56	Honavar Co-operative Urban Bank . . .	351	16	8	1,36	—	1,60	1,05	3	'47	B
57	Byadgi Urban Co-operative Bank . . .	373	28	5	1,09	15	1,57	1,60	3	1'29	B
58	Bijapur District Government Officials Co-operative Bank . . .	326	34	4	31	—	70	67	4	1'73	B
59	Athni Shri Murgendra Co-operative Bank . . .	79	14	1	23	13	51	39	—	1'49	B
TOTAL—Karnatak											
		25,970	8,21	4,55	48,20	2,95	63,93	48,07	1,59		
AVERAGE—Karnatak											
		1,366	43	24	2,54	16	3,37	2,53	8	1'13	



Percentage of the Cost of Management (black portion) and of the Profits (shaded portion) to the total Working Capital in case of Urban Banks, 1928-29.



PEOPLES' CO-OPERATIVE BANKS

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F. KONKAN

60	Salsette Catholic Co-operative Bank, Bandra	1,061	22	2	96	—	1,20	1,15	1	1'23	C
61	Kalyan Peoples' Co-operative Bank . . .	75	25	4	13	1,12	1,53	1,49	4	1'68	B
62	Deorukh Brahmins' Co-operative Bank . . .	82	6	4	50	—	60	56	3	'48	B
63	Peoples' Industrial Co-operative Bank, Bhiwandi	24	12	—	3	88	1,04	1,00	4	'58	B

TOTAL—Konkan

AVERAGE—Konkan

G. SIND

64	Hyderabad Amils' Co-operative Bank . . .	1,401	64	15	3,92	20	4,91	1,28	10	'30	A
65	Khudabadi Amils' Co-operative Bank . . .	621	1,11	22	9,59	—	10,92	1,43	30	'56	A
66	Karachi Co-operative Urban Bank	2,556	51	2	83	—	1,36	1,18	3	4'37	B
67	Khudabadi Bhaiband Co-operative Bank . . .	424	35	1	1,35	—	1,71	1,27	5	'61	A
68	Mercantile Co-operative Bank	850	72	—	3,67	—	4,30	3,13	5	1'72	A
69	Mirpurkhas District Police Co-operative Bank	354	47	3	1	—	50	43	1	'60	A

TOTAL—Sind

AVERAGE—Sind

6,206	3,80	43	19,37	20	23,70	8,72	54				
1,034	63	7	3,23	3	3,95	1,45	9	1'36			

CHAPTER VIII.

CONSUMERS' CO-OPERATION

BY

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Vice-President, Provincial Co-operative Institute, Bombay.

- I. *Introductory: Conditions precedent to success of Distributive Co-operation. Conditions in Bombay: The working classes, the lower middle classes, the upper classes. Lack of interest. The first phase. The stimulus of the Great War. Importance of Co-operative distribution.*
- II. *The Store: (a) The Grain store; The Danewala; Loyalty; Factors of success; Economic advantage; Facilities and sentiment; Stores for Co-operative Housing Colonies; Wadis; Chawl renting societies; Co-operative Bazars and Buying Clubs; Railway Employees; Cash and credit sales; Central Co-operative stores (b) The Cloth stores; The Wholesale.*
- III. *Consumers' Societies—Special types (i) College Co-operative stores, (ii) School stores, (iii) Hostel stores, (iv) Co-operative Hostels, (v) Co-operative Hotels, (vi) Co-operative Restaurants, (vii) Co-operative Laundries.*
- IV. *Propaganda and Organisation.*

CHAPTER VIII.

CONSUMERS' CO-OPERATION

I. Introductory

CONDITIONS PRECEDENT TO SUCCESS OF DISTRIBUTIVE CO-OPERATION. To students of the Co-operative Movement and to persons actively engaged in urban and rural areas in the propagation of the gospel of co-operation among the classes and the masses, it is hardly necessary to enter into a historical disquisition on the origin and development of the distributive co-operative movement at home and abroad. We need not go back to the Brighton-shop Movement and Robert Owen nor even to the Rochdale Pioneers and the early failures of the Wholesale Society. We need not enunciate the principles which constitute 'the Rochdale plan', so familiar to the student and the practitioner of Co-operation. We need not trace the phenomenal development of the Consumers' Movement in England, the success and growth of the C. W. S., the spread of this movement and the establishment of federations in continental Europe. And yet we may with advantage recall the circumstances for a moment, which led to the germination of the co-operative idea for consumers; we may survey for a moment the soil in which the co-operative seed was sown with such conspicuous success. The pre-Industrial-Revolution England had witnessed the evolution of the peasant proprietor from the manorial serf and the Industrial Revolution transformed the free peasant into the wage-earner. The gild system of mediæval England with its doctrine of *Just Price* had given place to the domestic system and the doctrines of Mercantilism and State Regulation and these now gave place to the Factory System with Free Trade, Individualism and Capitalism. *Just Price* was replaced by competitive prices; State Regulation, implying protection of the weak, was replaced by Free Trade and Free Competition signifying the survival of the fittest and the implied invitation to the weak to go to the wall. A wage-earning class was evolved; the proletariat came into being. With no personal touch with his employer, with no hope of raising himself, as in the old days, to the position of a small master, the prole-

tarian was a new product of the age. In his efforts to improve his economic position, he laboured under handicaps. The Combination Laws were at last repealed in 1825 and naturally the wage-earning serfs intoxicated with the strength, which combination gives to the weak, launched into revolutionary Trade Unionism. With the collapse of these violent means to frighten employers into improving their economic condition, the proletariat passed on under Owenite impulse to Chartism and political emancipation, which they fondly hoped would be the means of their economic regeneration. Disappointed in these, what could labour possibly think of? Foiled in attempts to improve their condition as producers, they turned to efforts to achieve their objects as consumers; foiled in their attempts to get more from others, they turned to efforts to save more for themselves. Expectation from others was given up for self-reliance.

Thus the idea of Consumers' Co-operation germinated. We see a body of men with no prospect of economic advancement, with the State reluctant to undertake labour legislation, with employers not yet sufficiently enlightened to launch on well-conceived welfare schemes, feeling their economic weakness acutely, and determined enough to combat this weakness in some way or other. Realising the power of combination in their campaign against the State and the employers, these men set about organizing themselves in groups working together to begin at the other end of the chain when they had failed at one, to improve the distributive system when they failed to recast the methods of production.

The lesson one derives from this genesis of the movement is that for the distributive movement to take root, the conditions precedent must be existence of classes or fairly large groups of men who have no prospect of improving their economic condition and status, at any rate in the near future, who feel their miseries and weaknesses acutely enough to make some sacrifice of time and energy for their removal, who have been disciplined enough to be able to work together in harmony and in co-operation towards the common end, as fellow-employees, as fellow-members of some community, caste or organisation, or as residents in a compact locality.

CONDITIONS IN BOMBAY: THE WORKING CLASSES. What are the conditions in our country and province? Do we find such compact bodies of men? There is not the proletariat created in India as in England, the Indian labourer, more often than not, having a tiny plot of land to fall back upon, capitalism

having not yet penetrated into the domains of agriculture. The Indian labourer is yet beginning to taste the joys of lightning strikes and trade unionism ; he has not yet learned their limitations. The Indian employer of to-day knows about scientific management and welfare-work. The State too is conscious of its obligations to Labour and is not reluctant to undertake labour legislation. The working classes are yet too backward, too illiterate, too unorganised to recognise their economic weakness and to take active steps in concert and co-operation, to seek a way out. The working man feels his wages are not enough, and tries to make up by one of the three methods, beg, borrow or steal. The organised factory-industry and the impersonal relations between the employer and the employee precludes the first ; the penal code precludes the third ; the usurer welcomes him, therefore, naturally to the middle course. Show him a possible way to increase his earnings and he will welcome it ; even bucket shops and strikes will appeal to him. Show him a cheaper and more impersonal sowcar and he will welcome him. Credit societies will therefore please him ; for our credit societies are not yet self-financed, have not yet evoked a sense of self-reliance and mutual help, and function mostly as cheap and indulgent sowcars. But talk to him of a store and he will not understand you. You, so to speak, he feels, want to turn him topsy-turvy. He thinks of himself as a wage-earner ; you want him to think of himself as a wage-spender. He is a producer and thinks of possible additions to his income ; you tell him, he is a consumer and want him to think of possible subtractions from expenditure. He is prepared to put in a little extra work to gain more ; you ask him to put in a little extra work to save more. He is a man with muscles to earn more ; you want him to think like an old woman, to pinch here and pinch there and save more. The negative doctrine does not catch his imagination and he laughs at you and thinks you perhaps a fool for all your pains. Besides, the cheap grain-shop, the cheap cloth-shop and other welfare schemes take away considerably the force from off your argument. The Bania with his credit sales gives facility ; you with your Rochdale cash system incommode him. The Bania with his adulteration sells cheap ; you with your higher morality sell dear ; and the cheapest only is what the workman wants ; quality does not so much matter. The Bania saves him trouble ; you ask him to work for his store, for his own shop, though you perplex him with cash sales and high price. You tempt him with profits to be and which are usually swallowed up by hungry inexperience. No wonder the

Indian workman is not congenial material for the distributive movement.

THE LOWER MIDDLE CLASSES. The lower middle class is certainly more educated and more alive to its weaknesses and to possible ways out of them. Unorganised as this class always is, attempts at forcing increase in salaries by strikes or protests which are veiled threats of strikes are not possible. Bucket-shops and the totalisator may tempt the lower middle-class man ; the stock exchange may tempt him more ; but he is generally too shrewd and practical not to realise, after a wholesome lesson taught by the experience of burning his fingers, how futile it is to attempt to increase his income in this fashion. A wave may carry him off his feet and industrial booms may create a mania ; but his innate sobriety soon brings him round to a true perception of the futility of such methods. He can only increase his income by winning promotions by good steady work, or doing some extra work. He is dissatisfied with his position and his income ; he longs to improve it and he is aware that he cannot do so unless he puts in a few extra ounces of energy in some extra work. He is generally not a producer himself ; he is a petty middleman or a drudge in some office, firm or *pedhi* ; he acutely realises that he is a consumer. Economic advantage obtained positively by writing up accounts for an illiterate but shrewd Bori merchant, by contributing to the dignity of the rising upper-class man by undertaking to coach up his children or by adding to his own dignity and influence by making himself that useful appendage of an aristocrat, the Family Tutor ; or economic advantage obtained negatively by saving annas here and pies there both appeal to him and the distributive movement may and should, therefore, take root among this lower middle class, if properly propagated. The soil is congenial ; for a satisfactory yield, of course, it should be deeply cultivated with the plough of propaganda ; it must be dressed liberally with the manure of co-operative education, and be irrigated with a sufficient and reasonable supply of capital. The farmer must be an adept at his business ; he must carefully weed out from time to time unproductive growths ; and the produce must be transported by loyalty to the market of success.

THE UPPER CLASSES. The upper middle class does not feel the need acutely enough. It may be tempted perhaps, if co-operative purchase and sale principles be applied to costly arti-

cles and articles of luxury. The upper class has, as it were, a cistern with many pipes to fill it up quickly and a small little hole in it. The leakage does not matter; the danger is one of overflow. The remedy is apparently not to close up the small leak but rather to skilfully drain off the overflow by convenient channels of charity to fill the empty cisterns of the lower strata to moisten their parched throats.

LACK OF INTEREST. Such are the conditions in urban areas in India; and yet what did we attempt to do? Agriculturists form by far the major portion of our population and co-operation was introduced to meet their wants. Their heavy indebtedness required a remedy and co-operation was requisitioned to serve as such. The movement started and grew along credit lines and propaganda was also directed largely to this end. We witnessed a rise, a phenomenal rise in the number of primary societies. Non-credit problems failed to attract attention for years and co-operators worked on as if credit was the only need of the rural population. Urban problems suffered a similar neglect and even when attention was turned towards them, it was in the direction of the development of urban banking. Credit, urban and rural, has so far been the obsession of co-operators in our country and the no less important non-credit side was explored haltingly only of late; and yet, co-operation will achieve but little until both in towns and villages, we tack on this great movement to the service of needs, other than credit, of our people. The ultimate success or failure of the Co-operative Movement will be determined by the growth and development of non-credit Co-operation. Credit is but a fraction of the needs of the agriculturist; credit is one of the many needs of the small producer; credit is but one of the needs only of the small urban trader. Credit will not help the exploited factory-hand, the sweating office drudge, the weaver, skilful in production and design, though ante-diluvian in marketing, the oppressed tenant in overcrowded areas, the helpless consumer in the grip of profiteering middleman. Co-operation is a protest against exploitation; it is a plea for distributive justice; it aims at bringing the producer and the consumer nearer by the elimination or absorption of the intervening profit-taking middlemen. And, what has Co-operation hitherto attempted in our country? It has attacked only one middleman—the usurer. It has not yet seriously combated the host of other middlemen, the employer, the contractor, the *Karkhandars*, the middlemen retailers, the landlords. It is surely

time that co-operators took seriously in hand not merely the consideration of grievances and petitions for concessions to Government, not merely the smooth working of the societies which have already been started, not merely the contemplation of achievements but also the consideration of how propaganda should be carried on by the Department and non-officials in other directions, what new types of societies should be started and how and where, the contemplation of possibilities and ways and means to translate them into actualities. Every one is not a borrower; every one does not need the facilities of a credit organisation; but every one is a consumer. The importance of the Consumers' Movement is, it seems, not sufficiently realised by us—a movement which tries to meet the needs better and economically for every one—a movement which has a great value as training and education to the people in administration and general management of a commercial concern, a movement which calls for efforts on the part of the members and draws out the inner man.

THE FIRST PHASE: THE STIMULUS OF THE GREAT WAR. The War and the consequent high prices stimulated by a great deal of profiteering turned the attention of the Co-operative Department in this province to the need for alleviating distress by starting co-operative store societies. A special Assistant Registrar for Purchase and Sale was appointed and a good many store societies came into being. The control of commodities of everyday use like rice and the facilities which were secured for co-operative store societies in that connection created an artificial soil for the sowing of the Consumers' Movement. So long as the difficulties of the 'Control' regime lasted, people were glad to use the store societies as mediums to overcome the hardships. But the control removed, the stimulus to loyalty disappeared and one store after another collapsed, till now only a very few remain to drag out a weary existence or lie in a state of suspended animation. Great energy was at first displayed in the movement; an attempt was made at starting a Wholesale Society which, however, practically never began work. The Bombay Co-operative Stores backed by the leading Bombay co-operators went into liquidation; the Anglo-Indian Stores at Colaba followed suit, and a rot set in, which soon spread up-country. The first phase of the Co-operative Distributive Movement in Bombay which aimed at establishing cloth, grain and groceries' stores thus ended in 1922. It is time for the second phase now to begin and it is

for us to consider how to usher in this second phase so that now at any rate the sure foundation of this important movement may be laid, on which the future superstructure may be raised in this country.

IMPORTANCE OF CO-OPERATIVE DISTRIBUTION. It does seem necessary to emphasise the great and far-reaching importance of a well-organised and well-developed consumers' movement. The co-operators in the Presidency, official and non-official, have ever been ready to accept, in theory at least, the great desirability of fostering this movement in the Presidency and have made, and are making, fitful and spasmodic efforts to start societies here and there. Yet, it appears, that we here have not sufficiently realised that the consumers' movement is, if any, more important than the rural co-operative credit movement, important and extremely necessary as that movement is. We have not sufficiently realised that while Raiffeisen introduced a scheme for the betterment of a section, a large section though, of the people, the Rochdale Pioneers pioneered a scheme for the betterment of every section of the people. For, while we all are not agriculturists, we all including these agriculturists are consumers. We have not sufficiently realised that even from the agriculturists' point of view, Raiffeisen solved only a fraction of his many problems, for credit societies do not help the great and fundamental problems of agricultural supply and marketing or, as we say, agricultural purchase and sale. It must not be forgotten further that in the economic organisation of society, Distribution is as important as, if not more than, Production. Production cannot benefit producers unless the distributive system is just, equitable and less wasteful than the one prevailing in the capitalistic ordering of society. If Raiffeisen Banks attempt to help the agriculturist producers and if Schulze-Delitsch and Luzzatti banks, the urban artisan, trader and other small producer, the Store recasts the distributive system effectually and organises the society from the other end, that of consumers. Further, we are looking upon the consumers' movement as an essentially urban movement, and do not identify this movement with the wider and infinitely more important supply movement. Whether it is consumption for production or consumption for existence, the store movement really is the instrument of organising and remodelling the whole system of supply. It must be very distinctly realised that the store movement is both urban and rural, and with its implication of co-opera-

tive trading, it helps considerably agricultural marketing, it actively assists the small producer by facilitating his purchase of raw materials and sale of finished products, and like the Provincial Bank on the credit side, a Co-operative Wholesale Society is really the apex organisation, which will serve the out and out consumer in the supply of his household requirements, the agriculturist in the supply of his requirements, both household and agricultural, and in the sale of his farm produce, and the artisan in the supply of his requirements, both household and industrial, as also in the sale of his finished products. It is high time, indeed, that we in India, and Bombay in particular, turned from the narrow-beaten paths of co-operative credit to the broader though more baffling paths of co-operative distribution.

II. The Store

A. The Grain Store

The Consumers' Movement is designed to meet the common needs, better and more economically, of groups of persons who feel acutely their exploitation by the middlemen and who are prepared to sacrifice time and energy to mend the existing state of affairs. What are these common needs? The primary necessities of life are food, clothing and shelter, and the needs in common that a consumers' association can try to meet must necessarily be, in the first instance, those of food, aliments and condiments ; clothing and housing. The most natural form, therefore, which the Consumers' Movement should take in a land where there are homogeneous groups of persons, realising their weaknesses in the present distributive system, with its unnecessary multiplication of middlemen fattening at the expense of the producers and the consumers, is the organisation of grain and groceries stores, cloth stores, and housing societies. Housing is, however, a very special type of commodity ; the organisation of Housing Societies has naturally to be on special lines ; their management is intricate and difficult. Co-operative Housing thus, though a branch of the Consumers' Movement, has rightly been treated, studied, and worked on distinct lines and can have no place in this short study of Distributive Co-operation.

THE DANEWALA. The supply of grain is, in towns and cities, in the hands of small shop-keepers, who trade on small capital and small working expenses. The proprietor is himself

the manager and salesman and secures customers by apparently keeping a very narrow margin of profits, retailing grain at just a little over the wholesale price, by giving them all possible facilities, receiving back unapproved grain, delivering goods bought and canvassing for orders by periodical inquiries at their houses, by quoting different rates adjusted nicely to their temperaments and purses, believing in the usefulness of yielding in one point to the extent of positive loss so as to secure profits in another, and above all by his readiness to allow credit and settle bills periodically. The retailer does not, of course, lose in his transactions; he gains; he makes very fair profits. The apparently narrow margin of profits is considerably widened by the invariable practice of adulteration of superior with inferior qualities and by employing false weights and measures.

A co-operative grain store, to succeed, must, therefore, prove itself better than the retailer's shop. It must give the same facilities; it must charge the same prices; and in addition it must hold forth the possibilities at least of more facilities, lower prices, better qualities or correct weights and measures. And this is almost impossible to achieve. With the impersonal management, without the sense of personal interest among the manager, salesman and the menial staff, with the higher morality which would not dream of adulteration or false weights and measures, with the impossibility in an impersonal concern of adjusting prices to suit the different types of customers, with the increased reluctance of customers to pay and the greater indifference to collect bills periodically if credit sales were permitted, with the rigid adherence to the theoretically superior cash sales system, it is impossible obviously for a co-operative grain-shop to stand the competition of the *Danewala*. And yet, this is what we must seek to achieve. What can be done then to attain our end?

Apparently, the Co-operative Store must do all that the *Danewala* does; though the shop itself is run on a co-operative basis so far as the distribution of profits is concerned, the management must be based on competitive business lines. Adulteration and false weights etc. must be resorted to; credit sales permitted; and all the doubtful practices, which are the essentials of the retailer's success, adopted. This system will leave ample scope for sharp practices on the part of the manager, who need not, therefore, be paid highly. A small pay with a percentage of profits at the year's end, would be sufficient inducement to the man in charge to run the shop successfully from a business point of view.

The shop would practically be his private concern with the members' capital and with the members participating in the distribution of the profits. The watchfulness of the Managing Committee is not so essential and the loyalty of members is not such an indispensable item. Non-member customers will be attracted and the chances of success are great. But, this type of a store society is hardly worth our encouragement. Co-operative in name, competitive in essence, this type cannot build up the Consumers' Movement with its high morality and better methods of business. Co-operation cannot make any headway if consumers are yet to be exploited by the manager-danewala. There are in our Presidency a few stores which are run on these lines and though commercially successful, must be regarded as total failures from the point of view of co-operation. A co-operative society must on no account go in for any of the doubtful methods ; it must be above suspicion ; the goods sold must be unadulterated ; correct weights and measures only must be used ; one price must prevail. And yet, these higher principles involve apparently higher prices as compared with the prevailing market rates.

LOYALTY. FACTORS OF SUCCESS, ECONOMIC ADVANTAGE. The problem thus resolves itself into : apparent higher prices and fair practice *versus* apparent lower prices and unfair practice. The latter, co-operators cannot sanction ; the former is, therefore, the only solution. This implies a brisk educative propaganda among the people, for whose benefit a store society is proposed to be started, educating them into the aims and ideals of co-operation on the distributive side and proving to them that the apparently higher prices are in reality not higher but probably lower, at any rate equal and that the gain in purity is no small gain for health as for the purse. An educative propaganda seems, therefore, a condition precedent to the success of a grain store. Let not the organisers of a store lead the intending members into expecting economic advantage appreciably. Let the emphasis be laid on purity and such indirect gains. Let them know that they would be called upon to pay a little more apparently for the goods they buy. In other words, the manager-danewala type being out of question, the only way would seem to be that the members must be bent on being loyal, whatever the apparent shortcomings of their store be. Loyalty will assure a certain amount of custom ; the initial custom will attract more outside custom and in the end loyalty will bring about the genuine success of the store from the

financial as well as the co-operative points of view. Loyalty at all costs has, therefore, been rightly held forth as the primary condition for the success of a consumers' society ; and such loyalty can only be born of needs acutely felt and realised by a vigorous educative propaganda.

FACILITIES AND SENTIMENT. But there are other means also to excite loyalty. Facilities and sentiment are great offsets to higher prices. If an article could be secured at his own door, one is generally willing to pay a little higher for it ; and if in addition, the article can be obtained from a communal shop, one is all the more willing to pay the higher price. Absence of adulteration and correct weights and measures and the like are perhaps not sufficient inducements to loyalty, even with an educative propaganda, inasmuch as people almost universally fancy themselves to be shrewd enough to check the unfair practices of the *Danewala*. Facilities and sentiments are, however, far more powerful and, as an alternative to low prices, these must be employed as the cement to lay the foundation of a store society securely. Grain stores will thus have a chance, a good chance to succeed in nooks and corners of great cities where the ubiquitous *Danewala* is not close by, in localities where the residents are members of one community mostly ; the chances of success will doubtless be strengthened materially where both factors are present, that is, where in a compact area, unexploited by a retailer, there are to be found members of one community.

STORES FOR CO-OPERATIVE HOUSING COLONIES :

In Bombay, it appears to me, therefore, the housing societies furnish the best breeding grounds for grain store societies. They are mostly on communal lines, and there is a strong communal tie between the residents. They are mostly colonists in the suburbs of Bombay, and the members have not got a retailer close by. Earnest efforts must therefore be made to persuade the members of housing societies to start grain, groceries and sundries stores for the benefit of their members. Facilities and sentiment will be the strong backbones, the loyalty of the members will almost be assured and the success can almost be guaranteed. Further there can be an additional advantage in this particular case. The area of operation being small and compact, it is possible for honorary workers to run the store. Ordinarily, for a commercial concern like the store or for any institution requir-

ing constant and consistent watchfulness and work, honorary workers are the very worst agency that could be chosen. But when the store is intended largely to serve the requirements and meet the needs of a small group in a compact and small area, as in this case, honorary work will pay ; it will be economic and efficient. The cost of management, often a ruinous factor in many of the store societies and the cause of their failure, will be thus reduced to a minimum and the prices can therefore be as low as, if not lower than, market prices. Economic advantage, facilities and sentiment all the three combine in this case and make the success of the store almost certain. All concerned in the work of organisation may well be asked, therefore, to concentrate their attention to housing societies and organise grain, groceries and sundries stores. These societies will also be a means of restoring confidence in the Consumers' Movement which has been very much shaken by the failures of the first phase of the movement. One further advantage in these housing societies' stores is that the members are of the middle class, are educated, and are trained in at least one form of Co-operation.

WADIS. Apart from this extremely promising type, there are others too, where the chances of success are also great enough. In Bombay, there are Wadis at many places where there is fairly large population largely belonging to one community or at least having some close bond between them. Angre's Wadi and its Dakshni Brahmin population, Amrit Wadi with its Gujaratis, Pannalal Terraces and the Parvati mansions near Grant Road with a preponderating Kathiawad Nagar element, Chikalwadi and the Parsis, the Dadyshet Agiari Lane and the Lad Baniyas and many others come to the mind, where grain stores on a small scale, conducted by honorary workers with small capital, could be started and successfully run to meet the needs of the compact groups of educated middle-class men.

CHAWL RENTING SOCIETIES, CO-OPERATIVE BAZAARS AND BUYING CLUBS. In such localities, it would be perhaps advisable to reach the stage of starting a full-fledged store through some intermediate training and educative stages. House-renting societies must be formed in these groups of chawls or buildings, whereby the tenants through their society may take up the rent contract for the chawl or building and thus save themselves from various little acts of petty tyranny, from

various little sins of omission and commission, of which landlords in Bombay are often accused. The vexatious interference of the *Mehtaji* and the *Bhaiyya* will disappear, rents would probably be a little lowered, sanitation will be better attended to, periodic white-washing etc. will not be neglected, and the tenants would be happier in a number of ways. Such societies will weld the tenants into a more compact and homogeneous body, fitted to advance further along the paths of Co-operation. The next step would be, a Co-operative Bazaar. A few leading men of the Wadi might arrange with the grain-dealers, the *masalawalas*, the ghee and oil vendors to visit the Wadi on say Sunday mornings, when one rate would prevail and purchases of necessaries be greatly facilitated. Such an arrangement would not mean much advantage; but it means facilities which are bound to be appreciated. The Zoroastrian Stores at Chikalwadi is something like this and the custom it attracts every Sunday morning clearly suggests that other centres too could and should be similarly served. The Bazaar means bringing the wholesaler to one's gates periodically. But either as a further step or as an alternative, buying clubs could well be started, which would require pooling the indents of members and making the purchases at wholesale rates, this being in essence going to the wholesalers instead of asking them to visit the consumers. The Buying Club is practically a store working on an indent basis and is sure of success, provided there are at least one or two honorary energetic workers who are prepared to take the trouble of collecting indents, making purchases and distributing them to members. The Provincial Conference has already in principle approved of the organisation of such buying clubs and indeed the principles underlying such institutions are being followed by almost all of us. Relatives and friends often order out ghee, mangoes, rice or *tuar dal* from up-country to secure better quality and lower prices. What is needed is the systematisation of these spasmodic efforts of individuals. Why this type of Consumers' Society has not been organised is a puzzle only explained on the theory that co-operative organisers, official and non-official, have rarely troubled themselves to think about the Consumers' Movement in general, and buying clubs in particular.

RAILWAY EMPLOYEES. Stores for railway employees are also worthy of encouragement. Here though the connecting link between members is the tie of common employment—usually a very frail support to lean on—concessions in transport charges

give a tangible economic advantage and sales on the Deferred Cash Payment System, the price being recovered from the purchaser's pay through the office, are a much prized facility.

CASH AND CREDIT SALES. 'Cash sales', no one will dispute, is the best system for a co-operative society. It avoids the chances of bad debts ; it saves unnecessary complexity in account-keeping ; it means the free play of capital, not locked up by credit sales, greater turnover and greater profits ; it means lower prices to the customer. But we are yet largely wedded to the system of settling monthly, half-yearly and, in some cases, even yearly bills. The retailer is a very accommodating sort of person, be he the *Danewala* or the small cloth seller, and by his credit sales system he gives to his customer facility and also a little dignity and tickles his sense of self-importance. With the most promising locality the store must adapt itself in India to the system of credit sales duly safeguarded, till at any rate the customers are weaned and won over to cash purchases. Where members of the store are members also of a credit society or a housing society, there ought to be no objection, on the score of bad debts, to allowing credit to the extent of their share money in these societies. Better still, members of a store should be asked to get as it were a cash credit from a recognised credit society or bank up to a certain amount ; the store gets its dues from the society at the end of the month ; the credit society or bank recovers its dues from the members as if it were a loan granted by it. Or, the employer may guarantee repayment monthly up to a certain sum and the employee could then with safety be allowed to buy to that extent articles from the store on production of the employer's guaranteeing card on which each purchase during the month would be entered. Again, the stores might receive deposits and open a sort of a Savings' Bank Department. Depositing members would, of course, be allowed to buy up to the extent of the sum to their credit in their Savings' Bank Account. In addition to these methods for giving the facility of credit with the necessary safeguards, I would even favour permitting sales on short-term credit to members on the personal security of the manager or a member of the Managing Committee up to an amount determined beforehand. Such a permission is very necessary to avoid unpleasantness and petty annoyance now and then to customers, whose patronage may well be worth securing.

For the mofussil, the principles suggested in the above analysis

for the success of grain and sundries stores hold good. Economic advantage, facilities and sentiment are the three great factors, the conspicuous presence of one of which at least is absolutely necessary.

CENTRAL CO-OPERATIVE STORES. A couple of years back, the question of pushing forward the Consumers' Movement in Bombay City was taken in hand and was discussed by the official and non-official workers in the Co-operative Movement. It was agreed that a Central Distributive Agency should be brought into existence for the City of Bombay in the first instance and if successful the operations could be extended to the rest of the Presidency, thus bringing into existence a Wholesale Society. Two different schemes were thought out. The one adopted by the Department consisted in the main of starting a number of Buying Clubs in various parts of Bombay. The Secretaries of these Buying Clubs were to submit their indents to the Secretary of the Central Agency, which opened an unpretentious office in a part of the city. The Central Agency was to make the purchases from day to day as per the indents received and the Secretaries of the Buying Clubs were to take away their goods in the evenings or the next morning. The scheme was tried for about a year but did not prove successful and had to be abandoned. In theory, it is no doubt true, that Buying Clubs are an excellent training ground, a first step towards the goal of retail stores, ultimately ripening in the orthodox fashion into a Wholesale ; but in practice, the idea of Buying Clubs does not catch. There may be a few people who would like to form themselves into a buying club ; but there are very few who come forward as Secretaries, who would collect the indents, purchase from the wholesalers or even submit their indents to a Central Buying Club, and distribute the purchases according to the indents among the members. The Danewala is very handy and the problematic saving of a small sum does not seem a sufficient attraction for much bother and the inevitable cartloads of criticism and suspicion about motives. The only alternative that now remains is the organisation of a Central Co-operative Store worked not by an inefficient honorary secretary or a sleeping managing committee but by an adequate and efficient paid staff, supervised and controlled by a wide-awake directorate and serving the needs not of amorphous buying clubs but of a large number of persons in different localities, not being beaten by the Danewala, in the facilities of credit, supply at home, periodic

inquiries at home, return back of disapproved articles and the like, but beating him in charging lower prices and supplying clean, wholesome and unadulterated stuff, with correct weights and measures. A Central Store such as this would be conducted on business lines, not smacking of charity or philanthropy at all, but adopting competitive co-operation—competitive principles for the conduct of business and co-operative principles in the distribution of profits. To ensure success, it would simply depend upon the support, in the first instance of Bombay people, though there are groups of persons in the up-country who for various reasons are prepared to welcome and make use of such a Stores. One point of importance might well be emphasised here ; the question of starting the Central Stores must be viewed not as is unfortunately sometimes the case, in this manner : We would like to start such a society, it is a good idea, and it should catch, people have promised support, and there is no reason why it should not succeed. The angle of vision should be : I want to start such a society. I am determined, if I start, not to fail. What should I do to make success certain? If there is any reasonable doubt about our success, not of course the doubts of the timid or the ignorant or the sceptic, but the doubts of the sympathetic well-wisher, let us not start the blessed society at all.

Success, then, we must secure, if we start. What are the minimum requisites of success? Or what are the minimum requisites for avoiding failure? Good management, watchful supervision, good distribution, sufficient customers, these are the general heads under which we can evolve our scheme.

GOOD MANAGEMENT. The person responsible for good management is the Manager or Secretary or Managing Secretary or Director, whatever you call him. He must be not a good subordinate merely ; he must be a good administrator and organiser. On him shall rest the responsibility. He shall feel and realise his responsibility. The work requires brains and he must be a brainy person. The task that we set him is difficult, the business expanding and the possibilities immense ; second and third-rate brains clearly will not do. A first class cultured business brain is essential. The manager shall therefore be a paid officer. Not only that, but he shall be a highly-paid officer on a time scale. In order to facilitate a complete identification of his interests with those of the Society, he might be given in addition a share of the net profits of the Society. Such a highly paid officer, to secure his own position

and avoid the possibilities of his tasting the bitters of unemployment would doubtless put his very best efforts, expend his last ounce of energy, will not grudge the sweat to ensure the sweets of a remunerative job in a prosperous concern. The selection of the Manager is indeed a matter of vital importance. Mistake in this would be irretrievable ; correct choice would assure success.

GOOD SUPERVISION. A real live efficient Board of Directors, that is what is required. The Manager will manage, the Board will really supervise and direct. To make them realise their responsibilities, to keep them up to the mark, to facilitate and encourage regularity of attendance, they shall be paid fees for meetings they attend. Of the Directors, at least two should be prominent co-operators to secure the observance of true co-operative principles and to avoid the Capitalists' obsession of profit-making and indeed to ensure that the consumers are really benefited. The others had better be business men of ripe experience and known ability who will see that the business is conducted with the high standard of ability usually associated with capitalistic concerns, who will see that purchases are made in the cheapest markets and that the cost of management is proportionate to the volume of business. Even if such business men cannot be found willing to serve on the Board, it would not much matter. Strong common sense and general culture only are essential in the Directors, the technical business efficiency being presumed to exist in the Manager.

EFFICIENT DISTRIBUTION. Do as the Danewala does ought to be our maxim, in everything almost, excepting fraudulent practices of adulteration and use of false weights and measures. It shall be necessary therefore, to engage a competent man at the head of this section, of course under the general control and direction of the Manager. It will be for this officer to organise the Distribution side, which is as important from the co-operative point of view as purchase is from the business point of view. Under this Assistant Manager, there will have to be a few Branches or Depots to facilitate canvassing, periodical inquiries, delivery at home, return of unapproved articles, etc. At each branch, there shall have to be a salesman in charge and a couple of coolies. All the necessary facilities which need not be recounted here which are given by the Danewala and some more adopted by big concerns suitable for the upper middle and the upper class,

such as order books shall have to be given by the Society to canvass and retain custom. The branches might well be in the first instance in Girgaum, Bhuleshwar, Gamdevi, Grant Road and Parel. Later on with experience and efforts on the part of the Assistant Manager, further branches may be opened to serve other areas, like Thakurdwar, Kalbadevi, Umerkhadi, Mazgaon, Parsi Bazaar Street, Byculla, Chinchpokli and Dadar. But even to start with, the Society should do something else besides opening branches in the five areas.

There are numerous places where there are compact groups of chawls and where there is a fairly large population generally belonging to one community. There are, for example, Angre's Wadi, Bhimrao Blocks, Amrit Wadi, Amar Wadi, Pannalal Terraces, Parvati Mansions, and the various Housing Societies' Colonies. We need not attempt to form there Buying Clubs; but we may hold there, in the compound or vacant space near or inside the area, a weekly bazaar where one salesman and two coolies might go and sell the ordinary household requisites to the residents. This would be something like what is being done at Chikhalwadi for the poor Parsis. It is not necessary for us to hold the bazaar only on Sundays, but rather, Sunday for one Wadi, Monday for another, Tuesday for a third, and in this way, by engaging a couple of salesmen and a few coolies and with the previous tactful winning over of the sympathetic interest of the residents by the managerial staff of the Society, there would be very good business done at these bazaars. If the volume of business done at the bazaar in a particular Wadi justifies, a regular branch Depot in or near the area could be started.

Further, the Society should undertake to supply the ordinary requirements of the messes in the various College Hostels. Buying clubs need not be started in these Hostels; these are buying clubs already, going by the name of messes. All that the Society has to do is to get the order for the articles required from the secretaries of the messes weekly or periodically, and supply the articles. There are many such hostels run by colleges and by private organisations, like the Y. M. C. A., Goculdas Tejpal Charitable Boarding, various Jain Boardings, Hargowind Desai Boarding, and their custom would be very valuable indeed, not only in volume but also in regularity. Hotels and Boarding Houses like the Madhavashram, Arya Pathikashram, Empire Hindu Hotel would also require fairly big quantities of food-stuffs etc., and the Society must capture their custom also. Hostels and hotels, with

the regular branches and the weekly bāzaars, would secure sufficient custom to make the Society pay its way. The managerial staff shall have, of course, to visit these various Wadis, housing societies, hostels and hotels, and convince the people there that the Society would supply their needs better and at least as cheaply as the ordinary retailer who probably supplies them at present. There is no reason to doubt that the Society shall have sufficient members even to start with. If, however, it does not, and if sufficient custom from up-country also does not materialise, then a few months' experience will be enough, and without any very great loss, the further activities of the Society can be stopped and better times awaited as a result of further intensive propaganda, steadily carried on by the Department and the Institute Officers for the consumers' movement.

B. The Cloth Store

The second great necessary of life, besides food-stuffs is clothing; and co-operative cloth stores ought to be as natural and normal developments of the consumers' efforts at bettering themselves as grain stores. With regard to the selection of a suitable site, the same principles ought to be carefully kept in mind as in the case of grain and sundries stores. Lower prices, facilities and sentiment are the guiding principles here also. But the peculiarities of the cloth trade must be kept steadily in mind and it must be recognised that the nature of the business makes the store a more complex institution to conduct and a more doubtful proposition. Unlike foodstuffs, cloth is not required every day. In an ordinary middle-class family budget, while foodstuffs absorb 50 per cent. to 60 per cent. of the total expenditure, clothing comes up to about 15 per cent. to 20 per cent. This suggests that, in the first place, a larger membership is essential for a cloth store. A small compact group of persons will not make a cloth store a success, cannot give it enough custom from among its members. The turnover, in the second place, cannot be as brisk as in the grain store and larger capital would seem to be a necessity. Further, foodstuffs do not present that variety in design, quality, finish etc., which cloth does; and as different people have widely different tastes, the stock has got to be pretty large and assorted to attract and retain custom. This means also larger capital. An additional difficulty is presented by the fact that the prices in the cloth trade fluctuate often widely. This necessitates the employment of a

competent managerial staff and precludes the utilisation of honorary work. A competent managerial staff again means large-scale operations and a big store so as to reduce the incidence of the cost of management on the working capital. The conditions of the cloth trade are thus so different from those of the case already considered that co-operators would be well advised to let it alone for the present, unless indeed they could start on a large scale and with efficient management. The loyalty of members is a thing of not much consequence ; it is the management which must attract and secure custom from members and non-members alike. It has to be run strictly on competitive business lines ; and canvassing, inducements, advertisements and all such business devices must be employed. Such a shop would be co-operative in its distribution of profits ; and it would be a sort of a first step towards the establishment of a wholesale society.

THE WHOLESALE. The idea that retail societies must precede the starting of the wholesale is not necessarily always true. The wholesale may precede the retail and indeed be the support on which the frail little retail shops in the up-country may fasten themselves. The leakages due to a paid staff and the minor losses due to inexperience will be counterbalanced by the profits which are bound to result from large-scale operations. In a matter like cloth, therefore, small shops run by honorary workers need not be thought of, unless perhaps in rural areas ; middling shops are disastrous, efficiency of management disproportionately raising the cost of management and reduction in the latter entailing efficiency. A society with a large membership with Rs. 50,000 or more as the subscribed share capital with a turnover of several lacs is the only one which has a reasonably good chance of success. It is well worth trying to organise such a society not necessarily for the gain to the consumer-members but for its great influence on the Consumers' Movement throughout the Presidency ; since, when the difficulties of the cloth trade are successfully mastered, such a society can extend its operations to other primary and secondary needs of men and gradually in a few years' time function as the great wholesale society of Western India, enabling retail consumers' societies of various descriptions to flourish in up-country towns and even villages. That a Wholesale Society is a necessity, has been acknowledged at various Conferences, Provincial and Divisional. The failure of the first attempt need not deter us from concentrating on laying the foundation for a Wholesale Society by

organising a big Cloth and Sundry Store in Bombay City. The chances of success would, of course, depend not upon the loyalty of members but upon efficient management, which could probably be secured by fair payment. The risk is not great and is well worth running, in view of the greatly beneficent influences which the prestige, example and facilities of a successful store society is bound to exercise on the great and important consumers' movement. It would be well, however, to minimise the risk of failure by leaving half the subscribed capital unused as a deposit in some bank fetching fair interest. Inexperienced management or unavoidable circumstances in the preliminary stages or unforeseen mishaps may cause losses and may not allow dividends to be paid on the shares much less the bonus to customers on their purchases. Success to start with, as evidenced by declaring a dividend on shares at the end of the first year, is of considerable importance in strengthening the confidence of share-holders and stimulating custom. The unused half of the capital would enable the society, in the event of no profits having been made to declare half the rate of interest earned thereon to the shareholders and would enable the society to meet losses to the extent of the interest earned. Further, when experience has been obtained, it is often found that there are no fluid resources left and the society collapses. The unused half of the share capital, however, can in this case be brought into play with effect and the society can well be placed, armed with experience and money, in a position to wipe off gradually its losses and attain success. It might be suggested that the purpose may as well be served by not calling up the full amount on the shares, and when necessary the uncalled amount may be called in. But it is a common experience with joint-stock capitalistic concerns, much more so with co-operative societies, that it is often very difficult to realise the subsequent calls on shares, when the society has been running at a loss. Calling up the whole amount and reserving and placing in safe deposit one half or some such proportion is a much better thing to do.

III. Consumers' Societies (Special Types)

People have numerous requirements ; they do not merely need food, clothing and shelter ; their needs are various. Food, clothing and shelter are the primary needs ; every one needs these. But there are a variety of other needs, which may be felt particularly by different sets of people. Consumers' Co-operation need

not therefore be confined to providing a network of grain stores but may well extend to arranging for the supply of the particular needs of particular sections of people. The tie of common needs in these cases is so strong generally, that the chances of success of a co-operative society are considerably strengthened. The big cloth store as the first step towards a Wholesale Society, the small retail cloth stores following in its wake, the small grain and groceries stores, co-operative Bazaars and buying clubs are good enough, when properly organised. But it appears more promising for the second phase of the movement for consumers to take in hand the organisation of small special types of societies for particular sets of consumers. These will be economically paying, will have a great educative influence and will restore confidence in the consumers' movement so greatly shaken by the disastrous failures of several store societies in the early years of this decade.

1. College Co-operative Stores

Chief among these special types of consumers' societies are stores for the supply of books, stationery, sports' requisites and other requirements of college students. The facilities of getting books on the spot and of getting the exact edition recommended by professors are great enough to make loyalty almost automatic. Trade terms can easily be arranged with publishers and leading booksellers, and books can be sold at market rates with almost the certainty of getting a rebate or bonus of one anna in the rupee on purchases at the end of the year. The society can also undertake to accept second-hand books for sale on commission from past students and thus perform a much-needed and useful service to the past and present students, reducing the expenditure on books. A society like this, conferring facilities and appreciable economic advantage, worked entirely by honorary workers, the students, under the guidance of their professors, has the additional advantage of educating the students practically in the methods and machinery of business, in the art of self-government in a way and brings about a fine spirit of co-operation and brotherhood which goes a long way towards making them better citizens later. The Sydenham College Co-operative Store Society well illustrates the possibilities of this type of consumers' societies. Successful from the start, it has managed, with a share capital of about Rs. 500, to effect a saving to the members of more than Rs. 2,000, Rs. 1,200 of which are in the Reserve Fund, the rest having been distributed as

interest on the share capital and as bonus to members on purchase. The spirit animating this body of workers may be gauged from the fact that the activities were soon extended to the sale of second-hand books, to the supply of sports' requisites at a much cheaper rate, to the sale of hosiery and also to the supply of refreshments, thus displacing the *College Bhat*. The society affords facilities to the College Library by supplying books ordered out and by undertaking the binding of old volumes. But the spirit can be better gauged from the fact that from the profits, they make of their own accord donations to Co-operative Conferences, offer prizes to encourage members to get trained in Co-operation at the Co-operative Training Classes organised by the Provincial Co-operative Institute and by instituting free studentships at the college. There are already stores of this type at the St. Xaviers', Gujarat, Rajaram, New Poona and Bahauddin and Surat Colleges, and other colleges are contemplating seriously of starting such stores for their students. Co-operative workers, both officials and non-officials, should concentrate on providing every one of the colleges in the Presidency with a store like this and the Bombay Students' Brotherhood might well organise a Students' Central Co-operative Store at Bombay to run as a wholesale store by a paid staff as a business concern.

2. School Stores

There is as great a need for starting co-operative book and stationery stores in secondary schools as indeed in colleges; and there is as much advantage from the educative and character-building view-points. But the great difficulty in secondary schools is that most of the pupils are minors. They are thus by themselves not eligible to form co-operative societies of any type but are not debarred from becoming members of a society which must have, according to the Co-operative Act, ten major members but can have a number of minor members. The difficulty can, therefore, be surmounted by starting a school store with the teachers and parents as members in addition to the boys themselves. This will have a further advantage in this that the young boys being not quite capable, at that age, of running even a small business without careful guidance and supervision at each step, the teachers can supply the chairman, the secretary and the accountant and the parents or guardians may safeguard the interests of the pupils. There are already a good many so-called co-operative stores in various schools in the Presidency. These are, however, un-

registered societies and neither the officials of the Department nor the non-officials of the Institute know where they exist, where they work, how they conduct the business and how they fare. In most cases, the store is managed somehow by the Head-master and one of his assistants as a department of the school, as a sort of welfare-work activity, the profits being never distributed as bonus on purchases, the accounts never being submitted to a general meeting, the managers being responsible to their own consciences only and what is worse, boys themselves not being trained up as assistant secretaries, assistant accountants or salesmen. Even when thus managed, these stores pay their way ; in such societies, practically the chances of failure are reduced to a minimum. A registered society is, however, much to be desired. It is superior to the existing unregistered type in every respect and particularly on the training side. The bringing of these unregistered bodies within the fold of the Co-operative Movement proper will have further the effect of bringing the prestige of so many successful small consumers' societies to bear on the further development of consumers' movement among the general population, and it is to be hoped that the Department and the Institute will make earnest efforts to give the existing amorphous school stores a shape and suitable constitution and bring them within the Movement.

3. Hostel Stores

The Hostels attached to various colleges provide a homogeneous group of persons, energetic and educated enough to understand the benefits of co-operation, direct and indirect, and afford very promising ground for the organisation of grain stores. The various messes, of course, do run practically on co-operative lines ; the students themselves making the purchases, the expenses being divided among themselves every month. The only improvement in the methods that one can think of would be to make these purchases not from the *Danewala* but from a wholesaler and to facilitate these purchases, it would obviously be better if the various messes could combine and pool their indents. A sort of a buying club is the only thing that they could thus usefully have. There is apparently no need for a constitution and bye-laws. Only in some cases, there is a contractor employed who manages the messes and charges a fixed sum per month for boarding. Where this system prevails, efforts should be made to put a stop to it and to substitute the system of self-management which is more widely prevalent.

4. Co-operative Hostels

Hostel accommodation in some of the collegiate centres is inadequate, notoriously so in Bombay. The Law College has absolutely no hostel, the other colleges in Bombay have not enough accommodation, excepting perhaps the Elphinstone. Students from the mofussil, who come up to Bombay to study at one of the colleges there, are, therefore, often hard put to in the matter of decent lodging and boarding. Some manage to get into the Y. M. C. A. Hostel at Lamington Road, some in the various charitable hostels and others form themselves into groups of three or four and share a hired room and pay 4 or 5 rupees each per month. These last suffer hardships enough. Too little floor space for each, with practically no furniture, their's is not a lodging but a corner with a roof as shelter. Lodging apart, they go to *Khanawals* or *Vishis* dignified often by high-sounding names as *Ashrams* or Lodges and no wonder soon become physical wrecks. The climate of Bombay is blamed by the parent; the water is found fault with; the temptations of a large city are held responsible; the mischief is traced to every cause but the true one, the want of accommodation in college hostels and the most unhealthy practices permitted to continue in the dinners supplied by the profit-making middle-man-proprietor of the *Khanawal*. A well-conducted co-operative hostel in Bombay is thus a necessity. In the organisation of such a hostel, the one great difficulty is the rent of the building. On a computation, each student will have to pay, in an establishment providing decent accommodation for about 60 students, about Rs. 15 per mensem, the messing charges being extra as in college hostels. The average student would be glad to join the hostel, but would not be prepared to pay anything beyond Rs. 10 per mensem for hostel fees. This is the fly in the ointment; a scheme to meet a proved necessity in the interests of the health of students has to be neglected simply because they will not pay so much more than their lucky comrades in the college hostels. Unless the University comes to the rescue, because it is a matter concerning college students, by making an annual grant, unless the Municipal Corporation comes to the rescue, because it is a question of the health of the student population of Bombay by a similar grant and unless Government similarly comes to the rescue also, the co-operative hostel, though very desirable and necessary, will have to be put on the shelf till a philanthropist gives a building at a rent considerably below normal.

5. Co-operative Hotels

In large cities like Bombay, there is a great scope for hotels on a co-operative basis. Instead of the show of rich food in the capitalistic hotels, these can supply plain but wholesome food such as the middle classes have at their own homes. The overcrowding in Bombay, necessitating sending away wives and children periodically up-country, compels the middle-class men to get their meals at the *Khanawals* and *Ashrams*, and a co-operative hotel would be a boon to them from the standpoint of health. To be successful, however, the management has got to be honest and efficient ; and this could only be assured if a reliable and capable person is found to manage the hotel. Everything depends upon the character of the man in charge. If he is honest, the hotel is sure to thrive, the quality of the food will be maintained and the expenditure will remain within reasonable limits. To secure the whole-hearted devotion of the manager it would be highly expedient to give him a share in the profits over and above a fixed monthly pay. The managing committee can supervise easily enough and be guided in its work by inviting to its meetings, some of the actual boarders. No co-operative concern aims at making profits ; it rather aims at the elimination of the profit-maker ; and the hotel, much more than other types, is an institution where profits should not be aimed at. If the expenses are met, a reserve fund created to meet possible losses, and interest on the capital invested therein paid, that is enough. If there is any surplus, it should be devoted towards improving the quality of the food, the neatness and cleanliness of the arrangements, and when these have reached a sufficiently high standard, towards giving a bonus to the boarder-members.

In view of the great need in Bombay for an institution supplying wholesome food at reasonable rates, co-operators in the city should seriously try to start at least one such hotel at an early date.

6. Co-operative Restaurants

Analogous to the above, co-operative restaurants, aiming at the displacement of the *Irani* tea-shops and similar *Kshuda-shanti-grihas* which are multiplying with extraordinary rapidity everywhere in Bombay and other large cities in the Presidency, are necessary and easy enough to organise and manage ; and the next few years should see the starting of several such restaurants in various parts of Bombay and other cities.

7. Co-operative Laundries

The middle-class men in chawls either get their clothes washed through a *Dhobie* or a Washing Company, and in the former case, it is remarkable that one chawl does not patronise the same one *Dhobie*. Though cheaper, the *Dhobie* is rather unreliable, and not so much under the control of residents. It would be very desirable to engage the services of one *Dhobie* for a chawl or a group of chawls, or a *wadi*. One of the members by turns can take up the work of receiving every Sunday dirty linen, handing it over to the *Dhobie* and distributing the clean linen received from him to the members. Honorary work thus rendered and the saving of rent for a shop will make it possible for such a co-operative laundry to run successfully and will mean a great facility to members besides. A little co-operative propaganda only in chawls is necessary for this type of society to spread quickly in urban areas. The excess of receipts over expenditure may be employed to give a bonus on custom to the members or create a chawl welfare fund.

Many other types of societies supplying the special needs of particular groups of persons offer much promise of success and will easily come to the mind. The second phase of the Consumers' Movement in the Presidency may well begin with the development of such small societies designed to meet special needs.

IV. Propaganda and Organisation

We have so far examined various types of consumers' societies and analysed their chances of success if organised on right lines. The important question now remains, who is to organise such societies, who is to carry on an educative propaganda for stimulation of this great movement.

Obviously there is in the first instance the staff, honorary and paid, of the Co-operative Department. The Assistant Registrars and Honorary Organisers are there; and under instructions from the Registrar can do much in their respective areas. The other agency is that of the Provincial Co-operative Institute and its branches in Division, Districts and Talukas, which ought to be able to carry the message of co-operation to the consumers in rural as in urban areas. But there is a difficulty. Credit co-operation has progressed; the number of credit societies in towns and villages, their membership and working capital have increased considerably; they present problems of consolidation, supervision and expansion. It is but natural that the energies of the Co-operative Department

should be largely centred on co-operative credit and banking, should be devoted to smoothing the conduct and management of existing institutions. Achievements concern them naturally more than possibilities in altogether different lines. Consolidation and further progress in the same direction are far more important than explorations in practically untried fields. If efforts are necessary in non-credit directions, they would naturally be made towards facilitating the work of agriculturists who form in India such a large majority of the population. Honorary organisers find it easy to recommend the seed of co-operative credit, which has germinated pretty successfully in large tracts; and people find it easier to respond to their call when it means cheap credit from a sort of philanthropically disposed sowcar. The result is the extension and expansion of credit societies in towns and villages. Few organisers are adventurous enough of their own accord to explore untried paths, and most would certainly be averse to preaching in a direction which experience, though limited and by no means conclusive, points out as unsafe and perilous. The propagandist and educative body, the Institute, is also the focus of non-official co-operative policy and practice, and has hitherto found it convenient to go along the beaten track of co-operative banking and has not carried on any effective propaganda along newer lines, except perhaps co-operative housing. The re-establishment of cottage industries on co-operative lines, and the yet more important, because of wider application, organisation of consumers have not yet been seriously taken in hand.

It is clear that to promote the launching of Consumers' Co-operation on sound lines, special workers devoted to the cause are necessary. The experiment of a special Assistant Registrar for Purchase and Sale was regarded as a failure, because perhaps the societies started then turned out to be failures. But it was certainly a success in some points. A good deal of useful information was collected, a good many societies were started, though it must be conceded that the principles suggested in the above analysis as being essential for success were not steadily kept in view in organisation. Now, if we recognise certain fundamental principles along which the movement should proceed, the renewal of something like the Purchase and Sale Assistant Registrar would be the best means of organising societies briskly and yet on proper lines. It might be objected, perhaps, that such an officer for the whole Presidency would not be very useful, would not be able to do much good. It seems however that the efforts of such a paid officer,

who had preferably be the Deputy Registrar as in other provinces, supplemented by special honorary organisers in selected urban areas to start with, will be quite effective. The Institute similarly must proceed on different lines, if it is to function as it ought to. It neglects the undeveloped aspects of the Co-operative Movement, which as a propagandist and educative body it is its duty to energetically push forward. In its training classes, one lecture out of 20 is devoted to Consumers' Co-operation, one to Housing, one or two to Producers' co-operation, the rest dealing largely with co-operative credit, rural and urban. The Institute should have two distinct departments. The one would be office-work under one Secretary largely concerned with focussing non-official thought on matters co-operative, advising societies, supervising them, voicing their grievances, making suggestions to Government and acting as a sort of an Advisory Board to the Registrar. The other should be the propagandist department with a separate Secretary, which would carry on active propaganda through honorary workers in the branches, through lectures, training classes, pamphlets, leaflets, articles in journals, magic lantern shows, talks in chawls and in such other ways. The present constitution of both the Department and the Institute is ill-fitted to undertake the arduous duties of active propaganda, education and organisation in Industrial and Distributive Co-operation. The creation of the post of a Deputy Registrar, chiefly for non-credit work, the appointment of special organisers for the purpose and the remodelling of the constitution of the Institute and distributing the work among different secretaries, honorary or paid, seem to me urgently necessary if the Co-operative Movement is to spread along channels other than credit only. Later on, when such societies have come into being, it might become necessary for the Institute with Government help to pioneer certain types, paying for the efficient and trained manager till such time as the society pays its own way.

CHAPTER IX.

CO-OPERATION AMONG THE WORKING CLASSES

BY

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The Co-operative Movement and labour :

- I. *Credit Societies ; (A) Units of organisation (a) Welfare Credit Societies ; (b) Chawl and locality credit societies ; (c) Communal credit societies ; (d) Village credit societies. (B) Why members require loans (a) Unskilled workmen, Debt Redemption societies ; (b) The skilled workmen, Remittances to Native village, Purchase of ornaments, Marriages, Drink and gambling. (C) Thrift, The basis. (D) Credit societies for women workers.*
- II. *Consumers' co-operation ; The extent of middlemen's profits. Purchase on cash terms ; Why the workman sticks to the Bania ; Jobbers and Naikins ; Sale at market prices ; The Indent system.*
- III. *Co-operative production.
Concluding remarks.*

CHAPTER IX.

CO-OPERATION AMONG THE WORKING CLASSES

THE CO-OPERATIVE MOVEMENT AND LABOUR:

The co-operative movement has played a great part in advancing the cause of labour in Western countries, directly and in a far greater measure indirectly. Several factors have contributed to the progress of the Labour Movement in England and other industrially advanced countries. Friendly Societies created feelings of fraternity among the workers. The Co-operative Movement improved their economic condition and made them familiar with business methods. The Trade Union Movement, besides enabling them to effect collective bargains as to wages and hours of work and improving their lot as employees, provided them with a trainingground for public life.

The Co-operative Movement in this country and especially among the working classes is of recent origin, scarcely older than the trade union movement. The latter has prospered much more than the former so far as the working classes are concerned, the former's appeal, being more direct, its nature militant and its struggles more exciting and spectacular. With all its limitations, the co-operative movement, however, cannot be neglected by the well-wishers and friends of Labour, even by those who are inclined to make the trade union movement a means of hastening democratic control of industry, without loss of strength to the labour movement. The direct benefit of co-operation to the working classes will always be considerable, but the indirect benefits will be still greater.

Although the co-operative movement has been but a few years ago introduced among the workers, the progress hitherto achieved may justify a review with a view to indicating the lines along which efforts should now be directed. An examination of the results hitherto achieved should prove helpful in avoiding waste of time and energy, and also perhaps in reorganising the movement on a sounder basis.

I. Credit Societies

A. Units of Organisation

The Co-operative Movement in India mostly consists of credit societies and as regards the working classes it may safely be said that the movement is confined to credit societies only. An exception here and there only serves to prove the rule. In Bombay there are a number of co-operative credit societies for the benefit of the working classes.

The units of organisation vary according to the facilities available to the organisers: a mill or factory or any other place of employment, a chawl, a locality, a community or caste or subdivision of caste, an institution, and a village to which the members originally belong. Each unit has its advantages and disadvantages.

(a) *Welfare Credit Societies.* Societies, the membership of which is open only to the employees of a particular mill or factory or any other large establishment or any particular department thereof may be classed as *welfare credit societies*. These depend mainly upon the good will of the employers for their success. Capital may be secured from the employer at a nominal rate of interest or even without interest for a year or so in the beginning, a paid supervisor may be appointed by the employer, if there are several such societies in his concern; an office-room, light, stationery may be supplied free by the employer, and in the case of defaulters the instalments that are overdue may be deducted from the wages or salaries of the defaulters and thus the work of recovering loans may be made easier. The last is an important advantage, which is not, however, enjoyed by all such societies. If the welfare societies are organised by an outside agency and also supervised by the same or similar agency, the management is not sometimes willing to interfere on behalf of the societies and to deduct overdue instalments of repayment of loans from the wages or salaries of the defaulting members, even though the society is financed by the employers and the agency is paid by them all the expenses of welfare work. This unwillingness may partly be attributed to the agency being an outside one and partly to the fear entertained by some managers of mills and factories that if the whole amount of wages due to a workman or a clerk is not paid to him and any portion of it is withheld in satisfaction of the debt overdue from him to the works' credit society he may have recourse to law and recover the same from the management.

Welfare credit societies labour under some serious disadvantages. The societies are looked upon as one more department of the works by the members and they naturally do not take much personal interest in the affairs of the societies, beyond drawing loans. The bond of unity in these societies is very slight and artificial. Coming, as they do, from different villages, districts, and even provinces, belonging as they do to different communities, and knowing, as they do, one another but casually and superficially, the employees in a mill or factory or an establishment or a particular department thereof form a heterogeneous group, which is unsuitable for money transactions. Then there are disturbing factors such as labour turnover and instability of employment. Sureties have to suffer not infrequently and most of the sureties are little better than strangers so far as the personal relations between the sureties and the defaulting members are concerned. This leads to the penalisation of honest members. When a man standing surety for a defaulting member has to pay penalty for doing so, he is rarely in a position to recover the loss when the defaulting member is no longer employed in the same works and has shifted his place of residence also or has left the city for good. The transactions of a welfare credit society sometimes give rise to complications. When a member of such a society is suddenly discharged or dismissed from employment and when an amount much in excess of the wages due to him from the employer is due from him to the society, he naturally pleads his inability to repay the amount of his loan unless the order of his dismissal is cancelled and he is allowed to continue in service, and he is supported in his plea by his sureties. The supervisor or the secretary of the society is asked to intervene on his behalf. Whether the man is rightly or wrongly dismissed is an altogether different question. The supervisor or the secretary of the society cannot reasonably ask the works manager to retain the man's services simply because some money is due from him to the society. The question of discipline and justice is involved. To cancel the order of dismissal in such a case is to put a premium on being indebted to the works' society. Another great disadvantage inherent in a welfare credit society is that such a society being financed by or organised and conducted at the instance and under the direction of the employer it ceases to function whenever there is a strike in the works or when there is a general strike in that particular industry. Thus when the need for a credit society is the most acute, it becomes utterly useless ; in short, a welfare credit society fails its members at a critical mo-

ment. As regards recoveries, it is already stated that some managers are reluctant to deduct the amounts of overdue instalments due to a credit society from the employee-debtors' wages. But even when this facility is provided by the management—and some societies enjoy this privilege being departmentally or semi-departmentally conducted—a welfare credit society suffers. Recovery becomes a dead routine and the society far from being a live co-operative body degenerates into a mere money-lending department, the only difference between this society and a money-lender's shop outside being only that here the rate of interest is lower and the debtor can repay the loan by easy instalments without having to pay the interest on the whole amount.

(b) *Chawl and Locality Credit Societies.* Where the unit of organisation is a chawl, members are better known to one another and the secretary can easily approach a defaulting member and bring his default to the notice of his sureties. The drawbacks, however, consist in the members being liable to change the place of their residence since in that case, if they be indebted to the society, recovery becomes exceedingly difficult. Moreover, the bond between one tenant of a chawl and another of the same chawl is not necessarily close. Unless the members are tenants in the same chawl for a number of years they know little of one another and hence the inability of the managing committee of the society to know for certain whether the loan applied for is really meant for a legitimate purpose. When the unit is extended from a chawl to a locality these drawbacks are magnified in proportion to the extent of the locality.

The credit societies attached to institutions, i.e. the membership of which is open only to the members of a particular institution, differ in advantages and disadvantages according to the constitution of each particular institution. The more diffused the membership of an institution the more difficult is the work of recovering loans and the more risky is the lot of the sureties.

(c) *Communal Credit Societies.* In this country castes and sub-castes are naturally utilized as a basis for organising co-operative credit societies. From a national point of view, a communal unit, strengthening as it does the bonds of caste, is open to objection. It is in the interest of national solidarity that organisations on communal lines, in that they tend to intensify narrow caste feelings and prejudices and to confirm the divisions based on birth, should be avoided as far as possible. Apart from this higher consideration, a credit society organised on communal lines has the practical dis-

advantage that the members are scattered over the whole city and their native villages may also be distributed in different districts and talukas, and consequently the organisation is likely to be too loose for monetary transactions. The success of a credit society organised on a communal basis depends on how far the community concerned is a compact one. A society, the members of which are drawn from a small community confined in its original habitation to a small area in the mofussil has certain obvious advantages, although it may suffer from the disadvantage that the members are scattered in different parts of the city.

(d) *Village Credit Societies.* A credit society the membership of which is open only to the persons coming from a certain village in the mofussil, irrespective of the castes they belong to, provides a type which is most suitable to the needs of the working classes. Most of the societies of this type, so far as my information goes, are among the best working class credit societies in Bombay. We have to bear in mind the fact that the majority of the workers in Bombay are mere sojourners here. They are in touch with their native village, now and then go there, take pride in having some immovable property there, and most of them being members of a joint family have the family headquarters there; in short, they have their hearts in their native village and look upon Bombay as a mere temporary abode. When workers belonging to a particular village in Bombay unite to form a credit society on co-operative lines they are inspired with a sort of local patriotism. They are not chance acquaintances, but know one another intimately and, what is more to the point in monetary transactions, the credit of each member is judged not only from his income in Bombay, but mainly from the property he owns in the village. The managing committee of the society is also in a better position to judge how far the need of an applicant for a loan is *bona fide* and whether the loan is to be utilized for a worthy purpose. The interests of sureties are also better safeguarded. A member is naturally anxious to avoid scandal in the village, although the same man may be indifferent in that respect in his transactions with his comrades in the mill or factory or with his neighbours in the locality or the chawl if they are not his village men. A credit society of this type is a replica of the village *panchayat* and is therefore more potent in its influence for good than a society of any other type. The only drawback of this type of society is that the members are scattered over a wide area in the city which fact comes in the way of regular recovery of loans. There may be defaulters among the

members, but the possibility of actual loss is comparatively small.

That the success of a co-operative credit society depends in a great measure on the personnel of the managing committee and especially on its secretary, goes without saying. Given a few vigilant, industrious and capable office-bearers a society may win an 'A' class in spite of some serious natural disadvantages ; within different and incapable office-bearers, societies will come to grief even though they may have an excellent basis and the members be all good and well-meaning men.

B. Why Members Require Loans

(a) *Unskilled Workmen.* The causes that lead members of a working class credit society to apply for loans are various. At the outset, workers may be divided into two classes, one, consisting of men whose earnings are quite inadequate to satisfy human needs, and the other, of men belonging to higher grades whose incomes approximate to those of the lower middle class men. The former are generally unskilled, while the latter are skilled workmen. For the former class co-operation can do but very little. Most of the men belonging to this class are overwhelmingly indebted to usurious money-lenders and attempts to redeem them before they are enabled to become members of an ordinary co-operative credit society may be fraught with great risk.

DEBT REDEMPTION SOCIETIES. Such an attempt was made in Bombay by the Debt Redemption Societies organised by Mr. G. K. Devadhar. The experience cannot be said to be encouraging. The members are so heavily indebted that a society of this kind has to advance to members, amounts too large in proportion to their means. The members thus redeemed become indebted to their society which charges them a moderate rate of interest and allows them to repay the loans by easy instalments. If these instalments are small they have to be spread over a period of several years. The men possess no assets and if the period of repayment extends to several years, there is the risk of losing large amounts through death, loss of employment, old age, infirmity or incapacity for work. The loss through death can be insured by taking out a life-policy of the member concerned, which means that he must save something over and above what he has to pay as instalment of repayment of the loan. If, on the other hand, the

period of repayment is made much shorter by increasing the amount of each instalment, the member becomes unable to pay it regularly owing to his inability to save that much after satisfying his human needs, and thus ultimately proves a defaulter. Some years ago the present writer had as arbitrator to deal with cases of default of this nature. It was found to be a hopeless task. Most of the men admitted their default and pleaded that it was not possible for them owing to certain adverse circumstances to be regular in repayment of the loan and it was undoubtedly a fact. To give proper awards was certainly not easy. The only way was to reduce the amount of each instalment in spite of the risks involved in lengthening the period of repayment; for to increase the amount of instalment or to keep it as it was, would have certainly caused the repetition of default and it would have meant an unending business. The men and women employed as scavengers in the Bombay Municipality may be taken as a very good example of this class. They are heavily indebted to Marwaris and Pathans who charge on their loans at the rate of one anna, two annas or even four annas per rupee per month, i.e. 75, 150, or 300 per cent. per annum. The debts amount to several hundreds and in some cases even a thousand or two of rupees. The amounts shown in the bonds are much more than those actually received by the debtors. Even if the actual amounts are taken into consideration they are too big for persons of such means. These debts are generally contracted for the purpose of securing employment, corruption being quite rife in the department. The debtor is able to pay the interest only and indebtedness is carried on from father to son and in some cases widows too have to bear the burden of debt. In fact the indebtedness is perpetual. What is safe business for an unscrupulous money-lender is not certainly safe for a society transacting its business in a regular manner.

The best thing that can be done for this class of people—persons whose earnings are hopelessly inadequate or who have to contract heavy debts for paying large sums as illegal gratifications to obtain employment—is to increase their earnings and to free them from the tyranny of corruption. Co-operation is no remedy in their case till these improvements are brought about.

(b) *The Skilled Workman*. The case of these workers whose income is above the bare subsistence level belongs to a different category. If they will, they can exercise thrift and co-operation may help them to improve their economic condition. The reasons why men of this class require loans are various. Sickness in the

family or the sickness of the member himself is the most common and at the same time the most legitimate cause. Then comes unemployment. A death in the family leads sometimes a man to borrow money to meet the funeral expenses which are not inconsiderable in certain communities and the man may not have the necessary cash with him.

REMITTANCES TO NATIVE VILLAGES. Most of the workmen in Bombay belong to joint families the other members of which live in their native villages. The member of the family who is employed in Bombay has to send there remittances from time to time. Occasionally bigger amounts are required to meet special needs such as effecting improvements or making repairs in the field owned or leased by the family, purchasing a bullock or two for the plough, repairing the family house or building a new one or adding more rooms to the old one, purchasing seed and agricultural implements, making provisions for the rainy season, paying the landlord his rent in cash for saving the grain due to him for family use. Sometimes a man has to redeem his mortgaged land, or to purchase a small plot to build a house on or for cultivation which the other members of the family desire to have because it is close to the one which they cultivate or it is the same plot as they hold as tenant and the owner is willing to sell it for a very reasonable price being just then in need of money. The workman in Bombay who is asked by the other family members to send money for such a purpose has not generally the full amount with him, his savings falling short of the required amount or he has no savings at all just at that time but is prepared to pinch himself for some months to come if he can get a loan from the society which may lend him such amount as may fully or partly cover the amount required by him for the purpose. He cannot wait till his own savings accumulate to that extent ; he must seize the opportunity. From a purely pecuniary point of view the investment he is going to make by utilising the loan may not be quite advantageous, the income from that land being perhaps less than the interest he has to pay on the loan or the interest he loses by withdrawing his savings from the society or a bank. Sentiment however plays a great part in such investments and in most of such cases the investment is an incentive to prospective thrift.

PURCHASE OF ORNAMENTS. The same consideration does not, however, apply to the purchase of jewellery. It is not

a legitimate need and may justly be treated as a luxury which a co-operative credit society is not at all bound to provide by advancing a loan. It may be a pardonable luxury if indulged in cautiously and also it may be an investment although profitless, liable to depreciation and exposed to the risk of loss. He who wants to make this sort of investment must do so out of his actual savings and should never be encouraged to mortgage his income for months ahead.

MARRIAGES. Another common purpose for which a member applies for a large loan is a marriage festival in the family. It is an extraordinary occasion and a workman is rarely in a position to meet the expenses out of his savings, if there be any. It is a well-known fact that the heavy indebtedness of a large number of people belonging to the working classes just as that of people belonging to the middle classes is traceable to heavy expenditure on marriage ceremonies. Personal enquiries made by me among mill workers, factory workers, artisans and seamen have led me to the conclusion that social customs are largely responsible for the indebtedness prevailing among the skilled workers. However frugal a man may be, he is unable to avoid debts on these occasions. A few persons may be accused of 'aspiring beggary' but the tyranny of the social custom is an undisputed fact. Co-operative credit may discourage waste due to snobbery, but it is hardly expected effectively to check the waste due to social custom. Social reform alone can save the people so far as this cause of indebtedness is concerned. Let marriage be a simple and inexpensive ceremony and half the indebtedness of the working classes will disappear. The answer to the questions why peasants have to mortgage their lands with village sowcars and are ultimately reduced to the position of tenants-at-will, why industrial workers and independent artisans find themselves in the clutches of the city money-lenders or the village money-lenders and not a few of them are unable to free themselves for years together, is the same in a great number of cases, and it is that the expenses in marriage ceremonies are too heavy. In one community brides have to be purchased, while in another big dowries have to be paid, in addition to the expenses of caste-dinners, entertainments, the necessary set of trinkets for the bride and presents to the bridegroom and other persons. If a man has a large family he has to contract fresh heavy debts soon after or even before he has been able to get rid of old debts, and thus the poor man if he is the only earn-

ing member of the family is doomed to perpetual indebtedness.

DRINK AND GAMBLING. Drink is another potent cause of indebtedness. Sometimes one comes across a jobber, a muccadam or a fitter or a skilled workman earning Rs. 75/- or 100/- or even more per month, and who is yet in debt. Compare his condition with that of an average school master or a clerk having the same monthly income. The former has to pay less rent for his room, spends less or next to nothing on his children's education, eats food of an inferior quality, and he and the other members of his family wear fewer and cheaper clothes. The reason why the former should be indebted or be without any savings, while the latter is able to save something or at least is not so heavily indebted is that a large portion of the former's earnings is spent on drink. Not a few among the higher grade workmen in Bombay have taken to foreign liquor and this consumes a large portion of their income. Gambling, old fashioned as well as in the form of betting on race-horses, Liverpool-cotton, etc. is also prevalent. Co-operative credit is likely to be abused if any members of a society secretly indulge in these vices. Especially in a vast city like Bombay the danger is very great in societies of certain types, the members being unaware of one another's habits and movements. The scrutiny of the managing committee into the *bona fides* of the represented need may fail to find out the real purpose for which the loan asked for may be utilized by the applicant.

C. Thrift, the Basis

Co-operation as an economic movement, without the basis of thrift, is a mere mechanical device, a body without a soul, if not a fraud. The majority of the members of the present co-operative credit societies have dealings with grain dealers on the credit system and not a few of them continue to have dealings with professional money-lenders such as the Marwaris and the Pathans. Complaints of default are too common. Some of the apparently well-conducted societies are not really so in fact, because there are paper adjustments in the accounts; defaulters are given fresh loans to pay arrears; or the defaulters themselves manage to get fresh loans for that purpose. Some men manage to become members of more societies than one and take loans from all those societies at the

same time. According to the rules and by-laws of a society a member cannot be a member of another credit society at the same time, but this healthy rule is difficult to enforce ; the transgression of this rule may pass unnoticed. Those who are members of two or three societies prove defaulters in all those societies or pay off arrears of instalments due to one society out of the loan taken from another and are thus perpetually in debt. The Managing Committee of a society the members of which are but loosely knit together, can be easily hoodwinked and loans can be secured for unapproved purposes. In many a society the enquiries made by the managing committee as to the purpose for which a loan is to be actually utilized are superficial, for the touch between the managing committee and the other members of the society is too slight. In the case of thriftless people a co-operative credit society is but one more source of loans. Each member generally owns a single share of the society which entitles him to apply for a loan and if higher amounts in proportion to the shares held by a member cannot be advanced under the by-laws a member does not care to hold more than one share. Under the by-laws of some societies higher amounts are advanced by way of loans up to a certain limit in proportion to the number of shares held by a member. This is a mischievous rule. It reduces co-operation to the level of gambling. This may appear a hard remark, but what else is it if a member is given a loan five or ten times the amount of the shares held by him? A member's credit should not depend upon his shares in the society. Such shares are not the man's genuine savings but a device to establish his title to a larger amount of loan.

Most of the credit societies do not provide for thrift on the part of their members. However small their membership may be the best societies are those that are modelled on the 'N' leaflet of the Co-operative Department. Compulsory savings are a necessity in societies which are meant for an improvident class of people. Loans should be given not out of the savings but in proportion to the amount of savings, the amount of a loan exceeding a little if at all the amount of the savings of the member concerned. Thus credit will depend upon savings which will be kept in tact and will not be allowed to be deducted from the loan or a portion of it. Preferably the savings should be converted into shares. The societies, the by-laws of which do not provide for compulsory savings, should be asked to adopt the necessary by-law. This will prevent the societies from degenerating into mere money-lending machines.

That the risk of loss to the society and the need for sureties will be minimised goes without saying.

D. Credit Societies for Women Workers

Women workers are occasionally in need of small loans. It is the experience of those who have been in touch with societies having women amongst their members, that women are, as a rule, more regular in repaying their loans than men. Among the women workers, there are some who are discarded wives or widows with children dependent upon them. These and also a few wives whose husbands have no regular employment or find themselves unable to earn their usual wages owing to ill-health and who have large families to support, now and then require small loans to tide over monetary difficulties. The lowest class women workers take loans from Pathans and those belonging to a little higher class from Marwaries, grain dealers or neighbours. The majority of the women employed in Reeling and Winding Departments of textile mills, the departments in which the employees are mostly women, borrow money from their Naikins (Forewomen) at a high rate of interest which is equal to that charged by Marwaries. The Naikin is a peculiar institution in the textile world. Her wages are not considerable, i.e. Rs. 60/- per month at the most. But the total monthly income of many of them ranges between Rs. 200/- and 400/- per month. Over and above the wages paid by the mill, the Naikin is able to collect levies from the women working under her and she lends money to them at a usurious rate of interest. If she has not sufficient capital of her own, she borrows money at a lower interest and appropriates the difference, or takes the needy women to a professional money-lender and gets commission for providing business and guaranteeing repayment of the loans. Through her, most of the women under her purchase cloth from a shopkeeper on credit, the Naikin being paid commission. This makes the organisation of welfare credit societies for women employees in the mills difficult. The Naikins having their own interests to serve look upon such societies with disfavour, and if at all they consent to join as members and to serve on the managing committee, they take care to keep down the membership. By the way it may also be mentioned here that jobbers and head-jobbers in the mills who carry on the business of lending money follow the same policy. The men and women who take loans from their jobbers and naikins find an advantage in doing so. They become the

proteges of their jobbers or naikins in that the latter are interested in keeping them in employment. Again most of the jobbers and naikins are employed as such mainly because they are able to have a number of hands at their beck and call and for this they have to keep a large number of the rank and file in the bondage of debt. It is a vicious circle. The corruption and the conditions of employment must be radically changed if the workers are to be brought into the fold of co-operation in larger numbers.

II. Consumers' Co-operation

At present co-operative distribution is practically unknown among the working classes in Bombay, although several attempts have been made till now to introduce co-operation in the purchase of the necessities of life. Consumers' co-operation has not been yet successful even among middle class people in this city. The causes of the failure of co-operative stores may be enumerated as follows :—(i) Absence of facilities for wholesale purchases through reliable agencies, (ii) mismanagement, (iii) want of loyalty on the part of the members and (iv) want of proper supervision on the part of the Managing Committee.

THE EXTENT OF MIDDLEMEN'S PROFITS. I may be allowed to indulge in a little plain speaking on this subject. Apart from the causes of failure enumerated above, there are certain factors which contribute to the poverty of results in this field of co-operation. To my mind, the people in general, both the middle and the working classes, do not feel the necessity of co-operative efforts so keenly in distribution as in credit. The main object of consumers' co-operation is to eliminate the middlemen's profits. The larger the middlemen's profits the greater the need for consumers' co-operation. The question, therefore, is whether the middlemen's profits in Bombay are so excessive. The readers may be surprised, but my study of the subject has led me to believe that the petty dealers' profits in Bombay are not excessive. The profits charged by English and other European retail traders are much higher than those charged by the Indian retail traders. The story of the competition between the European traders and the Indian traders in South Africa is too well-known to be recounted here. Whether justly or unjustly, European retail traders complain of the low prices of articles sold by Indian traders and characterise it as an unfair competition which Indians are able to

wage owing to the latter's low standard of living. In Bombay the competition among traders is perhaps keener and the margin of their profits is still lower. The savings effected through consumers' co-operation are thus likely to be much less appreciable in Bombay or in any other part of India than those realised in England or other Western countries. This is one of the reasons why the need for consumers' co-operation is not so keenly felt in this country. Middlemen cannot altogether be eliminated if the articles required by the people are to reach the consumers from the place of their production. Co-operation minimises the number of middlemen and their profits; but certain expenses and risks are inevitable and even co-operative stores cannot altogether escape them. If the gain is not worth the effort, the movement cannot be expected to arouse enthusiasm.

PURCHASES ON CASH TERMS. The tricks of the Bombay grain dealers are various. With all that, however, he cannot make a fortune if he relies on business on cash terms, and if also there is not the side business of money-lending. The majority of the inhabitants of Bombay, who live with their families here, have credit accounts with a grain dealer. In the working class areas, the grain-dealer is also the money-lender to his customers when they are in need of petty sums. The customer places his orders with the grain-dealer with regard to grain, sugar, *gul*, soap, flour, etc. and the articles are sent to the customer's room. It must however be stated that the unskilled workmen whose wages are the lowest do not enjoy credit at the bania's shop. Those who buy on credit hardly scrutinise their monthly bills. The grain-dealer can charge any rate and also he can use shorter measures and weights without fear of detection. Of course sale on credit involves some risk of loss to the grain-dealer but he anticipates it and manages to cover it and to make his business profitable in spite of the loss. If ten customers out of a hundred fail to pay the last balance and the recovery proves hopeless, he has already made profits out of the custom of those persons by overcharging them and by supplying them much less quantity than charged for, and besides there is the profit which he is sure to reap from the remaining ninety customers. The solvent and honest customers have to make good the loss caused by the insolvent and dishonest customers. Although these things are known to a number of customers, they continue to buy on credit partly because they are not able to pay off the arrears all at once and partly because they are

afraid they would not be able to make both ends meet should they resolve to buy on cash terms alone. Those who have some experience of comparing the prices of articles purchased on credit with those of articles purchased on cash terms can tell what a vast difference it makes. Competition between one grain-dealer and another is confined only to sales on cash terms. In sales on credit there is no competition, because the customer has no opportunity to make a comparison, and even if he is able to find out the difference he is not in a position to win his point. He cannot threaten to discontinue his custom, for he is not regular in paying his monthly bills, and also knows full well that another bania would treat him in the same way. He must pay for the credit facilities he gets as he must pay the market price of the articles ; the bania silences him with credit.

The prices charged to customers who have cash to pay on the spot and who know how to bargain and how to take advantage of the competition existing between one dealer and another are not generally excessive. The margin of profit is not considerable, considering the trouble the bania takes to make his goods presentable by subjecting them to the processes of cleaning, sifting, sorting, winnowing, etc. The grain-dealers with members of their family sometimes work day and night. They have their own Association in Bombay and as the wholesale grain merchants belong mostly to the same caste they get facilities from them and thus are in a position to secure more advantages in wholesale purchases than a co-operative store can possibly hope to secure.

WHY THE WORKMEN STICK TO THE BANIA.

During the last great war, the prices of food stuffs had abnormally risen and the supply of rice, etc. was subject to Government control. A number of Bombay mills had opened cheap grain shops in those days and at most of these the prices of grain were much lower than those demanded by the grain-dealers who then experienced much difficulty in obtaining sufficient quantity of grain while the cheap grain shops were given preference over private traders by the Control Department. Cheap grain shops were, therefore, popular in those days, but as soon as the control was abolished and the supply was unrestricted the number of customers at the cheap grain shops dwindled. In spite of the difference between the prices charged by the grain-dealers and those charged at the cheap grain shops, only the workers belonging to the lowest grades took advantage of the grain shops after the control was lifted.

These workers are not as a rule allowed credit by the grain-dealers and at the mills' cheap grain shops they could purchase grain on credit, that is against their wages that had become already due to them but which they would get only on the monthly pay-day. Few of the weavers or the other mill workers who could get credit facilities from the bania took advantage of these shops. Firstly, many of the workers lived in chawls at a great distance from the mill in which they were employed and naturally it was inconvenient for them to take home the grain supplies from the mills' grain shops. Secondly, if they took advantage of the cheap grain shop they had either to carry the loads themselves or to engage coolies, while at the bania's shop they had simply to place their orders and the bania took the supplies to their very doors. Thirdly, if they had no account with a bania they found themselves in difficulty when they were in need of petty cash advances. From the bania they could borrow a rupee or two occasionally and repay it when they got their wages. They might have to pay interest on these petty loans, but they did not mind it so much. It is this facility that they greatly prize; and it is this which is one of the main considerations that always comes in the way of popularising the consumers' movement among the Bombay working classes. They find the bania more convenient than a co-operative credit society in the matter of petty loans. There is no formal application, no meeting of the managing committee, no scrutiny into the *bona fides* of the professed need. "How can I afford to sever my connection with my bania? I can get grain and other necessities from him on credit and also if I am in need of a rupee or two I may go at once to him, even at midnight, and get a loan from him. Can your store or society give me such facilities?" These are the questions with which a co-operation-propagandist is often confronted. Fourthly, every workman knows that there may come a time when he would find himself unemployed or he will have to go on strike, and the facilities and advantages enjoyed by him through a cheap grain shop at his mill or factory may suddenly be withdrawn, while if he be a customer of a bania the credit facilities extended to him may enable him to tide over the difficulty caused by unemployment or strike or lock-out. This same consideration prevents a worker from dispensing with the grain-dealer's costly help even if he is given a loan from a Welfare Credit Society in his mill or factory sufficient to pay off the bania's dues and be free from his debt once for all. The bania is his sheet-anchor in times of emergency.

Mere cheapness is not an important consideration in the present circumstances of the working classes. They cannot have grain cheaper at a co-operative store than at a cheap grain shop, provided of course it is really a cheap grain shop, there being no profiteering on the part of the employers and those who are immediately responsible for its conduct are honest men. Moreover a co-operative store will demand cash from the customer who will have also to purchase a share, if he wants the privilege of being a member-customer. And there comes the hitch. Apart from the other odds against which a co-operative store has to contend, the question of cash payment is the great stumbling block in the way of its success. It is not possible for a co-operative store to successfully compete with the bania. No co-operative store can afford to sell articles on credit, much less to give small loans in cash in addition if occasionally required. It would be committing suicide if it does. The bania's meat will be the co-operative store's poison. The ways which are open to the bania to make good the inevitable losses in his business are not open to a co-operative store. All things considered, it may reasonably be doubted whether at present co-operative stores can be successful even if the arrangements are quite such as may be wished for.

JOBBERS AND NAIKINS. I write this from my own experience both of cheap grain shops and co-operative stores organised as welfare activities. Not only grain but also cloth is purchased on credit by mill workers. Jobbers and naikins generally act as intermediaries between the workers in need of credit and the cloth-dealers, just as some of them act in the same capacity between the workers and the Marwaries. The intermediaries stand sureties and thus keep the men and women working under them under an obligation and also get commission from the cloth-dealers. A jobber who provides custom to a Marwari or the cloth-dealer and helps him to recover his loans or his price with interest thereon does not do it for nothing. This business enables him to keep his hold on the men and to add to his income. He is generally presented with a gold ring on the Divali day by the Marwari. The same is the case with many a Naikin. The women workers in the mills usually buy *sarees* and other kinds of cloth through their Naikins on credit. They get commission from the cloth-dealer for supplying custom. In one of the mills where I was working as welfare supervisor there were about 800 women workers. A co-operative store was started to supply grain and

cloth. A jobber in the same mill conducted a grain shop at some distance and although we sold grain as cheap as anywhere, the demand for grain at our store was very limited, and as regards *sarees* and other cloth there was practically no demand. The *sarees* stocked by us were of the same pattern as is generally in demand by the reelers and winders, and the prices were cheaper than charged to the customers in the market but not even ten women out of the 800 employed in the mills turned up at our store which they passed every morning and evening. Perhaps they were afraid of their *naikins*, and at our store they had to pay cash, which condition also must have scared them away. Our prices were fixed and that also must have discouraged them, for these women and also men of the same class do not believe in fixed prices which they look upon as a piece of obstinacy. They do not feel satisfied unless there is some haggling. The system of fixed prices deprives them of this satisfaction.

This will give an idea of the difficulties in the way of consumers' co-operation among the working class people.

SALE AT MARKET PRICES. Before however we take leave of this aspect of co-operation among the working class people, a note of warning must be sounded as to the practice of adding a fixed profit to the original cost prices of articles for sale at a co-operative store. This warning is as necessary in the workmen's stores as it is in the case of stores for the middle class. What needs emphasis is that the retail prices charged at a co-operative store should conform as far as possible to the ruling market prices. Not infrequently it so happens that articles of a particular kind are sold at a co-operative store by adding a fixed percentage on the cost price. The Managing Committee fixes the percentage and the salesmen charge the same rate of profit on all things indiscriminately. Articles of a particular variety remain unsold for a long time for want of customers. In the meantime the market prices of those articles change. In case the market prices are less than those charged at the store, it gives rise to dissatisfaction among the members, not to speak of that among the non-member customers. Loyalty of custom should not be stressed beyond a certain limit and human nature must be taken as it is. If, on the other hand, the prices at the stores are less than the market prices, even those who never otherwise care to visit the store become patrons of that commodity alone, and the store loses the profit which it would have secured by varying the prices. It is true that profiteering is not

the aim of consumers' co-operation, but it cannot also afford to be a losing concern. By conforming to the tone of the market in charging prices at their store, the Managing Committee will be able to make up the loss incurred on one kind of articles by getting more profit on another. The prices at a store may be slightly lower than the market prices but the difference should not be considerable either way. This will enable the store to command greater loyalty of custom as well as to provide for covering losses due to deterioration of quality, loss in quantity and sudden fluctuations in the market rates. Profits beyond a certain limit may, if realised, be returned to the customers or members in the form of a rebate, but conformity to the market rates and change in the prices according to the market fluctuations must never be lost sight of. In short, to fix prices once for all is a dangerous principle absolutely unsuited to business. Auditing and checking will, no doubt, be more difficult if the fluctuations in market rates are followed but it should not be impossible to find out by a quarterly or six-monthly stock-taking whether the store is run at profit or at loss. Moreover, it should be remembered a store is not meant for easy auditing or checking alone, but they are merely a means to an end, viz., the success of the store.

THE INDENT SYSTEM. The indent system is a safe form of consumers' co-operation. In Bombay this system can be followed if men living in a chawl combine to make wholesale purchases of grain and other necessities of life weekly or monthly, ascertaining beforehand the needs of the people who approve of the idea. Each man has to advance a sum approximately sufficient to meet his orders. The balance may be recovered or paid back as the case may be when the articles are distributed. Some groups in fact do follow this system and those who practise it and understand the advantages, admit a considerable gain in comparison with the system of individual purchases made at neighbouring shops. There are, however, two main difficulties in the successful and continuous working of this system. First, the same two or three persons in a chawl or from among the members forming the group have to do this voluntary work from week to week or from month to month and naturally they get tired and lose their enthusiasm in a few months. Voluntary services cannot be depended upon for continuous work. Secondly, the variety in taste with regard to the quality of articles required by the members makes it impossible to make wholesale purchases of these articles and consequently the

difference between the retail prices at the neighbouring shops and those in Mandvi and other wholesale markets in the city is not found to be worth the trouble involved in the system, taking into account cartage and other expenses. It is, however, advisable to limit the purchases to a few articles only, so that wholesale purchases can be made. The difficulty about taxing the energy of voluntary workers may be partially solved by making all or almost all the members work by turns. This will also lead to the diffusion of business training. The same difficulty can be partially solved, if a suitable wholesale agency can be found with whom to place orders, within the neighbourhood or in any other part of the city. There are a few business concerns in Bombay which supply goods in all parts of the city, and concessions can be obtained from them if the custom of a number of families is assured to them. These purchases may not be so advantageous as those made directly in different markets, but the work will be easier and there will be more certainty of continuity.

3. Co-operative Production

Compared with credit and distribution, production is much more difficult in the co-operative system. Especially so is industrial production. Mere combination of producers or workers is not sufficient. There are only a few industries in which large scale production has not been introduced, and production on a large scale means investment on a large scale. It is hardly possible for workers themselves to raise sufficient capital among themselves for a factory or a mill or a workshop, apart from the question of securing the requisite technical direction, efficient management and sound business capacity. Nor can the workers command the necessary credit to supplement their own meagre capital. Generally a business expands and more and more working capital is required to meet the growing needs of the concern. Hitherto in Bombay only two experiments have been tried in co-operative industrial production, viz. an iron foundry and a printing press. The foundry has been closed and the latter is in a very unsatisfactory condition. The safest way to make experiments in this field is to choose only such industries as require a small capital. The workers must be prepared to accept minimum wages till the concern is indubitably a profitable one. It is possible to introduce co-operation in *bidi*-making and such other small industries. In Bombay there are hand-loom weavers among whom co-operative production together

with co-operative purchase of raw materials and co-operative sale of finished articles—sarees etc.—should not be impossible, should the weavers themselves resolve to take to co-operation to improve their economic condition and should it also be possible to raise the necessary capital, comparatively small as it would be. Similarly there is also much scope for co-operation in the trades of copper-smiths, silversmiths, goldsmiths, carpenters, cabinet makers and other persons of the artisan class. Most of these trades have gone into the hands of capitalists and the artisans have been reduced to the position of mere wage-earners. Hair-dressing saloons and washing companies have also given scope for capitalist intrusion in trades where formerly the workers were working independently. Here the difficulty is not so much about the raising of capital, as about finding persons of character—persons possessing qualities essential in business such as honesty, steadiness, thrift, regularity and above all, a sense of responsibility. The problem is more moral than economic or financial. It is also possible for wage-earners to resort to co-operation simply with a view to increasing their earnings in certain trades. In the building trade a number of things which require only labour are done through contract system, and contractors are mere middlemen without having to invest any capital. If the workers only know how to combine and co-operate they can easily do away with these middlemen and earn more wages for the same amount of work. Complaints are not infrequently heard of some petty contractors having made themselves scarce or defrauding the workers of their wages, although they had received the stipulated amount from the main contractor or the owner. This risk will be eliminated if the workers take the contracts themselves. As a matter of fact some coolies do combine and execute contracts for loading, unloading, etc. If the combination is on a large scale they have to engage a part-time clerk to write their accounts, but on the whole they earn much more after defraying these accounts expenses, than they would have earned had they been engaged by a contractor. The number of such workers is, however, very small. This sort of co-operation being easy and free from risk can be extended and the middlemen's profits transferred to the pockets of the workers themselves. What is needed is an awakening among the workers.

CONCLUDING REMARKS. In short, let us recognise the limits as well as the possibilities of co-operation. Let us never forget that the co-operative movement, mainly economic as it is,

rests on certain moral qualities for its foundation and ultimately must lead to the moral uplift of the whole community. The strength of the movement must be assessed not from the number of societies, but from the spirit which animates their members. Thrift and service constitute the soul of the movement. Let us not be satisfied with a soulless body, howsoever imposing it may look. Once the co-operative conscience of the masses is thoroughly roused, it matters little whether an experiment here or an experiment there fails ; the movement will be sure of its foundation. But failures due to a faulty foundation must serve as search-lights to be turned inwards. Too much official encouragement in the matter of organising new societies is as fatal to the co-operative movement as too much official control. It is essentially a people's movement and must arise from within and not be imposed from without. More propaganda for thrift, self-help, mutual help, and a broader and more moral outlook and less actual organisation of societies should be the motto at least for the present.

CHAPTER X.

CO-OPERATIVE LAW

BY

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Genesis and growth of co-operative law in the Bombay Presidency. Co-operative principles. Co-operative law in Bombay. Preamble and the marginal notes of an Act. The three main parts of the Act. Definitions in the Act. The Registrar, his duties. Registration of a Society. Bye-laws of Societies. Membership. Classification of Societies. Duties of societies. Restrictions—(i) Rate of dividend (ii) Share holding (iii) Voting (iv) Dealings with non-members (v) Lending on security of movable and immovable property (vi) Investment of funds (vii) Reserve fund; Privileges of co-operative societies. Inspection of affairs of a society. Winding up of a society—(i) Share and interest (ii) Contributory (iii) Misapplication (iv) Misfeasance and (v) Breach of trust. Liquidator, his powers. Power of Registrar to assess damages against delinquent promoters etc. Disposal of surplus assets. Joint Board of liquidators for liquidating a Housing Society. Bar of Civil Court jurisdiction. Arbitration. Statutory notice of two months before suit against society by non-member. Dispute touching the business of a society. Registrar may suspend arbitration. Appeals and revision. Execution of orders. Sanctions of law. Prosecutions under the Act. Government audit. Rule-making process of Government. Co-operative Societies' Rules.

CHAPTER X.

CO-OPERATIVE LAW

GENESIS AND GROWTH OF CO-OPERATIVE LAW IN THE BOMBAY PRESIDENCY. Co-operative legislation is a plant of very recent growth in India. The first Co-operative Act was the Co-operative Credit Societies' Act of 1904. The opening years of the 20th century saw the people all over the world realising the necessity of attending to agriculture. They found that unless rural areas were properly organized it was not possible for agriculture to make as rapid and wide a progress as it should. At the same time they discovered that rural areas could not be organized on capitalistic lines because the necessary capital was not available in rural areas, and that therefore these should be organized on some other basis which would be suitable to people of limited means and which they would be induced to accept of their own inclination. This other basis was not the basis of possession of capital but the basis of possession of character, the basis of co-operation.

Co-operation is an alternative form of organization to capitalism. "It is a form of organization wherein persons voluntarily associate together as human beings on a basis of equality and for the promotion of the economic interests of themselves." Prior to 1904, associations or societies could be formed and registered under either of the two Acts—the Societies' Registration Act of 1860 and the Indian Companies Act of 1882. Under the Societies' Registration Act of 1860, any seven or more persons associated for any literary, scientific or charitable purpose may be formed into a society by signing a memorandum of association in a form prescribed by the Act. Under the Indian Companies Act of 1882 any seven or more persons associated for any lawful purpose may be incorporated into a Company. There was no act under which an association or society could be formed for the purpose of promoting the economic interests of its members in accordance with co-operative principles. A new act was, therefore, necessary for the promotion and formation of new societies based on co-operative principles in order that their distinctive character may be preserved.

The Act of 1904 was mainly intended to provide for the constitution and control of societies to be founded on distinctively co-operative principles for fostering rural credit. It was, therefore, called the Co-operative Credit Societies' Act of 1904. In the first instance it was found expedient to facilitate the formation of such credit societies for the promotion of thrift, self-help and mutual aid amongst agriculturists, artisans and persons of limited means. In any scheme of rural advancement, the growth of credit was the most essential and, therefore, it was but natural that the first attempt towards helping that growth should be in the direction of the formation of credit societies.

A few years however showed that co-operation was a method not only suitable for organising and developing rural credit but also for helping the economic regeneration of the poor in other ways. The Act of 1904 had outgrown its usefulness and was supplanted by the Act of 1912, the scope of which was considerably enlarged. The new act did not confine its operation to the formation and control of merely Co-operative Credit Societies but extended it also to Co-operative Associations organized for non-credit purposes such as distribution, production and insurance, in rural and urban areas. Section 4 of the Act describes the societies which could be registered under the Act, as societies which had as their object the promotion of the economic interest of their members in accordance with co-operative principles. This Act is still in force throughout the Indian Empire with the exception of Bombay and Burma. The Montford reforms of 1919 made Co-operation a transferred subject under an elected Minister and Co-operators in Bombay felt that the time had come for provincial legislation to suit provincial conditions. Accordingly, the Bombay Co-operative Societies' Act was passed by the Bombay Legislative Council and came into force from 4th December 1925, and it is this Act which now governs Co-operative Societies in this Presidency. The Act is intended "to facilitate the formation and working of co-operative societies for the promotion of thrift and self-help amongst agriculturists and other persons with common economic needs so as to bring about better living, better business and better methods of production." While the All-India Act of 1912 is for promotion of thrift and self-help amongst "agriculturists, artisans and persons of limited means" the Bombay Act is for promoting those qualities amongst all people with common economic needs whether their means be limited or otherwise. Under it not only can a society which has as its object the promotion of

the economic interest of its members in accordance with co-operative principles be registered, but also a society established with the object of facilitating the operations of such a society.

CO-OPERATIVE PRINCIPLES. It would be better to understand at this stage what the common co-operative principles are, as that will also enable us to understand the purpose some of the provisions made under the co-operative societies' acts are intended to serve. The essence of co-operation is the co-operative spirit embodied in the motto of the Co-operative Union of Manchester—"Each for all and all for each." Co-operation repudiates the principle of the survival of the fittest, and stands rather for the protection of the poor and the weak, inculcating the principle of the Brotherhood of Man. It is a revolt against the exploitation of the poor by the rich and thus endeavours to minimise the conflict between labour and capital. While it is inclined to give a due share of profit by way of interest on the capital employed and by way of compensation for the risk involved in engaging the capital in business, it insists on an equitable distribution of wealth between the capitalist and the worker. It stands for justice between all who help in the production of wealth. It fights against exploitation all round. It is a reaction against capitalism and is a protest against exploitation. Therefore, it tries to eliminate the middleman as far as possible in all stages of production and distribution, and promotes co-operative institutions both amongst producers and consumers.

CO-OPERATIVE LAW IN BOMBAY. The whole of the Co-operative Law so far as the Bombay Presidency is concerned is incorporated in Act No. 7 of 1925 and the Rules made by Government under the rule-making power reserved to Government by Sec. 71 of the Act. The best way to study an act and to have a bird's eye view of it is to study its "table of contents" and to find out the logical connection between the sections of the act. The present act while so studied will be found to consist of 3 main parts :—

- (a) Preliminary,
- (b) Main provisions of the Act, and
- (c) Miscellaneous provisions.

PREAMBLE AND THE MARGINAL NOTES OF AN ACT. The preamble forms no part of an Act, and it is only when

the Act is read clause by clause and is finally passed that the preamble is brought up for discussion before the legislature and passed. Though it is not a part of the Act, it indicates in general terms the objects of the legislature in passing it. Generally speaking the preamble of a statute is a very good guide to find out its meaning and is as it were "a key to the understanding of it." The function of a preamble is to explain what is ambiguous in the enactment and it may either restrain or extend its meaning as best suits the intention, but it cannot either restrict or extend the enacting part when the language, object and the scope of the Act are not open to doubt. It is not unusual to find that the enacted part is not exactly co-extensive with the preamble. Similarly the marginal notes in an Act also do not form a part of the Act and cannot be referred to for purposes of construing it.

THE THREE MAIN PARTS OF THE ACT. The preliminary deals with the title of the Act and says that it extends to the Presidency of Bombay and then proceeds to give definitions of words used under the Act.

The main provisions of the Act can be briefly summarised as follows :—

- (a) Registration of Societies, Secs. 4 to 16,
- (b) Rights and Liabilities of Members, Secs. 17 to 19,
- (c) Duties of Societies, Secs. 20 and 21,
- (d) Privileges of Societies, Secs. 23 to 33,
- (e) Restriction and Disabilities etc. of Societies with regard to its property and funds, Secs. 34 to 42,
- (f) Inspection of the affairs of the Society and inspection of books of indebted societies, Secs. 43 to 46,
- (g) Liquidation, Secs. 47 to 53,
- (h) Arbitration, Secs. 54 to 59,
- (i) Offences, Secs. 60 to 63, and
- (j) Appeals and revisions, Secs. 64 and 64 (a).

The miscellaneous provisions are from Secs. 65 to 75. There is only one section, 22, with regard to audit which does not logically fit in the classification attempted above ; but all the same it is one of the most important provisions of the Act.

DEFINITIONS IN THE ACT. Having thus obtained a general idea of the Act, let us now turn to details and examine some of the important definitions in Sec. 3 of the Act. The definitions in an Act require to be carefully studied because words defined are

always used in the same sense throughout the Act. Sometimes though very rarely—due to either loose drafting or to other reasons a word defined in the definitions-clause is used in the Act in a popular or grammatical sense ; but unless the context, in which the word is used, imperatively demands that the word should be understood in a different sense, a word defined in the Act must be taken to have been used in the sense given to it in the definitions-clause throughout the Act. Definitions are of two kinds :—Sometimes they define the word and give the exact meaning of the word ; in other cases, they are merely inclusive. Sometimes however definitions are both definitive and inclusive, that is, they give meanings of the words used and also include others which though they do not strictly fall within the meaning assigned to the word defined are within the ambit of the intent. For instance, a producers' society in the Act is defined as meaning a society formed with the object of producing and disposing of goods as the collective property of its members and as including a society formed with the object of the collective disposal of the labour of the members of such society. The latter society is included in the producers' society as its object is similar.

SECTION 3. Turning now to the definitions in Sec. 3 we find that those that require our attention are the definitions of the words *committee*, *officer*, a *general society* and *registrar*. The *committee* means the committee of management of a society by whatsoever name it may be called. It may be called a managing committee or a Directors' Board or any other name may be given to it, but if it exercises the functions of management or of giving directions as opposed to mere advice, the body so constituted will be the committee as used under Act. Generally speaking, the word *officer* will include all persons in a society who are authorized to give orders as opposed to those who are to receive and execute those orders. The definitions divide societies into 6 classes :—a resource society, a producers' society, a consumers' society, a housing society, a general society and lastly a society formed with the object of facilitating the operations of any one of the above classes of societies. A general society is different from what is known as a general-purpose society. A general society means a society not falling under any of the four classes mentioned before it ; while a general-purpose society means a society, the objects of which are a combination of the objects of two or more of the four principal types—resource, producers', consumers' or housing society. A

general society is thus peculiar in this that it is outside the scope of any of these four principal types.

THE REGISTRAR: HIS DUTIES. A *Registrar* means the person appointed to perform the duties of a registrar of the co-operative societies under the Act; and yet strangely his duties as such are nowhere enumerated in the Act. The Act deals with the various powers which he is called upon to exercise, and the extent of these powers also is the measure of his duties. Under Sec. 4 of the Act the power of appointing a registrar or a person or persons to assist him and to confer on him or them all or any powers of a registrar under this Act is vested in the Government. The powers of the Registrar however when gathered from here and there in the Act are evidently the following:

- (i) to register a new society, Sec. 10,
- (ii) to classify societies when formed, Sec. 3, cl. 5,
- (iii) to decide questions arising under Secs. 5 and 7,
- (iv) to approve of change of name of a society, Sec. 14,
- (v) to approve of amalgamations of societies, Sec. 15,
- (vi) to approve of amendments of by-laws, Sec. 16,
- (vii) to audit societies, Sec. 22,
- (viii) to hold an inquiry into the constitution, working and financial condition of a society, Sec. 43,
- (ix) to order inspection of books of accounts of a society, Sec. 44,
- (x) to direct payment of cost of an inquiry and recovery thereof, Secs. 45 and 46,
- (xi) to wind up societies,
- (xii) to cancel societies,
- (xiii) to arbitrate or to appoint arbitrators for settlement of disputes, Sec. 52, and
- (xiv) to hear appeals against arbitrators' award, Sec. 56.

REGISTRATION OF A SOCIETY. The most important of the several duties of a registrar is to register a society. The first step in the formation of a society is an application for registration. The form of such an application is given in Schedule 'A' of the rules made by Government under the Act. The application to register shall be made to the Registrar. It shall be signed, in the case of a society of which no member is a society, by at least 10

persons above the age of 18 years and if the object of the society is the creation of funds to be lent to its members, such persons must reside in the same town or village or in the same group of villages, or are members of the same tribe, caste or occupation. The reason why members of a co-operative credit society should be residents of the same town or village or of the same group of villages or should be members of the same tribe, caste or occupation is to have a society of homogeneous members, in order that they may have better facilities in meeting their common economic needs and may be able to work harmoniously. In the case of a society of which a member is a society such an application shall be signed by a person duly authorized to do so on behalf of such society, and where all the members of a society are not societies, by 10 other members or when there are less than 10 other members by all of them. Under No. 2 (3) of the rules made by Government it is now laid down that the person so authorized shall be a member of the Managing Committee of the society. A copy of the resolution authorising him to sign the application must be appended to the application. This application for registration must be accompanied by a copy of the proposed bye-laws of the society. Under No. 5 of the rules made by Government, 3 copies of such bye-laws are required to accompany the application. The reason why three instead of one copy of the proposed bye-laws of the society are required to be appended to the application is that two of these copies are required for being filed in the Registrar's and Assistant Registrar's offices. If the Registrar is satisfied that the society has complied with the provisions of the law above detailed and is in accordance with the rules made by Government and that its proposed bye-laws are not contrary to the Act or to the rules, he may register the society and its bye-laws. If the Registrar refuses to register a society he has to communicate to the applicants his reasons for so doing, as per Rule No. 3 ; and the applicants if dissatisfied are now permitted to appeal to Government by Sec. 64 of the Act. The period for presenting such an appeal is two months from the date of the communication of the order. A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered unless it is proved that the registration of the society has been cancelled. Notwithstanding anything stated above Government may, by a special order in each case, and subject to such conditions, if any, as it may impose, exempt any society from any of the requirements of the Act as to registration.

BY-LAWS OF SOCIETIES. By-laws are to a co-operative society what articles of association are to a Joint Stock Company or what rules and regulations are to a society registered under the Registration of Societies Act of 1860. They embody the provisions by which the promoters of a society agree to regulate its proceedings and their conduct in relation to it. All these by-laws are not entirely discretionary. Some of them are compulsory as provided by Sec. 71 Cl. (c), and have to be framed by every society before it is entitled to be registered as laid down in the Bombay Co-operative Societies' Rules No. 4 (1) (a) to (g). As to other matters incidental to the management of its society, Rule No. 4 (2) permits every society to make bye-laws suitable to its own requirements. After the bye-laws submitted by a society along with its application for registration for approval by the Registrar are approved by him, they are to be submitted to the first general meeting of the members of the society and become the bye-laws of the society binding on all the present and future members thereof if they are passed by a 2/3rds majority of the members present at the meeting. Once they are so passed and become the bye-laws of a society, they can only be altered, abrogated or amended at another general meeting of the society, provided that due notice of such proposed alteration, abrogation or amendment is given in accordance with the rules and the bye-laws of the society, and that the resolution in favour thereof is passed by not less than 2/3rds of the members present at the meeting.

MEMBERSHIP. 'Member' includes a person joining in the application for the registration of a society. But mere registration of a society does not clothe him with the rights of membership. No person can exercise the rights of a member of a society until he has made such payment to the society in respect of membership, or acquired such interest in the society as has been prescribed by the bye-laws of the society. A person admitted to membership after the registration of a society also cannot exercise any rights of membership unless he has made such payment or acquired such interest.

No member shall transfer any share held by him or his interest in the capital or property of any society or in part thereof unless he has held the share or interest for not less than one year and that the transfer or charge is made to the society or to a member of the society or to a person whose application for membership has been accepted by the society.

CLASSIFICATION OF SOCIETIES. While discussing the definition of a general society, we named the six divisions into which societies are classified under the Act. Societies are further divided into 2 classes :—

(a) according to the object for which the societies are formed as a resource society, a producers' society etc., and

(b) according to the nature of the liability of the members forming the society, that is, limited liability societies and unlimited liability societies (Sec. 5). Unless Government by general or special order otherwise directs, the liability of a society, of which a member is a society, shall be limited, and the liability of a society of which the primary object is the creation of funds to be lent to its members and of which the majority of members are agriculturists and of which no member is a registered society shall be unlimited. This means that members of such a society in the event of its liquidation would be jointly and severally liable for and in respect of all liabilities of such a society. The word agriculturist is nowhere defined in the Act. It is defined in the Deccan Agriculturists' Relief Act as meaning a person who by himself or by his servants or by his tenants earns his livelihood wholly or principally by agriculture or who ordinarily engages personally in agricultural labour.

The abuses of a definition of this character are notorious. Sometimes even an owner of several ginning factories carrying on an extensive cotton business has successfully claimed in a court of law, the benefits of an agriculturist under the D. A. R. Act because he had been losing in his ginning business for some years past and his principal source of livelihood was agriculture. Whether such a person could claim to be an agriculturist under the Co-operative Societies' Act is more than doubtful. The word agriculturist is thus used in this Act in its ordinary popular sense. The authority to decide whether a person is an agriculturist or a non-agriculturist rests with the Registrar and his decision is final. He can be trusted to do the right thing in each particular case.

DUTIES OF SOCIETIES. Secs. 20 and 21 of the Act deal with duties of societies under the Act. Every society shall have an address, registered in accordance with the rules, to which all notices and communications may be sent and shall send notice in writing to the Registrar of any change in the said address within 30 days of such change (Sec. 20). Sec. 21 requires every society to keep open to inspection at all reasonable times at the

registered address of the society (a) a copy of this Act, (b) a copy of the Rules under the Act, (c) a copy of the by-laws of such society and (d) a register of its members.

We might usefully examine what privileges are conferred on co-operative societies and what restrictions are imposed upon them. Some of these privileges and restrictions are derived from the very nature of these organisations, while others are in the nature of concessions and special safeguards. It is these privileges and restrictions that distinguish a co-operative society from an ordinary joint-stock company registered under the Indian Companies' Act.

RESTRICTIONS: (1) *Rate of Dividend.* Of the first type, that is arising from the very nature of the society, we notice the restriction imposed on the rate of dividend which can be declared by a co-operative society. Under the Co-operative Law, a society cannot declare a higher rate of dividend than 10 per cent. to the share-holders. In a joint stock concern, people come together to obtain the maximum return on the capital they invest in it. A co-operative society sets about its work to secure the maximum benefit to its members, and not to the capital they have brought with them to the society. Co-operation welcomes capital as an agent of production, but the right of the other agents of production, is always to the fore and as such it does not permit unjustifiably high dividends being declared but sets a limit to the return on capital. Ten per cent. per annum is a fair maximum, particularly as the members get a share of the surplus profits in other ways. Thus, for instance, borrowers in a co-operative credit society would get a rebate on the amount of their borrowings, members of a retail store would get a bonus on purchases, the members of a co-operative workshop would get a bonus on labour. The capitalistic instinct is, however, hard to control, and, in practice, successful societies are tempted to circumvent this salutary provision in some round-about way. The ten per cent. being in the nature of interest, why should not there be, they argue, a dividend on capital, as there can be dividend on purchases, bonus to wage-earners, and rebates to borrowers? It is certainly open to them to maintain this position on strictly co-operative principles. If fair wages, fair prices, fair rates of interest on loans could be supplemented by dividends, bonus and rebates, call these what you will, there is no reason whatever why capital should not get a dividend to supplement the interest. The fairer course, and co-operation is nothing if not fair to all alike, would seem to be to do away with

this restriction on dividends altogether and provide in the by-laws of every society for the payment of interest at the rate of $6\frac{1}{4}$ per cent. to capital as a legitimate item of working expenses as if the share capital were in the nature of a loan, the interest on which has to be paid like rent and wages whether the society makes a profit or not. The surplus, remaining after all these items have been met, should be allowed to be distributed among all the parties helping to make the profits, in proportion to their respective contributions towards the making of the profits. A successful society will in this way pay higher wages, sell at lower prices, lend at lower rates of interest and give a greater return on capital also, thus helping in the improvement of the economic condition of all its members, which is the root aim of all co-operative institutions. But the practice in Bombay is to enforce the ten per cent. restriction, by prescribing in the Rules under the Act, that the limit should not be exceeded by any subterfuges and is to be inclusive of all bonuses and so forth.

(ii) *Share-holding*. Another restriction imposed upon a co-operative organisation is in respect of the maximum holding of shares. In a co-operative society, capital cannot be allowed to predominate and no single individual can be permitted, as in joint stock concerns, to subscribe to as many shares as he likes, shares being an invitation for membership rather than for the getting together of capital required for business. Co-operative Law thus does not permit any individual to hold more than one-fifth of the share capital of a society nor to hold shares of more than Rs. 3,000. The maximum limit is raised to Rs. 10,000, however, in the case of a housing society, inasmuch as, obviously, the cost of buildings erected by the housing society for its members would demand larger capital than in societies of other types.

(iii) *Voting*. It has to be remembered that co-operation regards share-holders as members and not as the lenders of capital and it is this creed that makes co-operation treat all share-holders alike, be they the holders of only one share or of a hundred shares. As such, co-operative law adopts the doctrine of "one man, one vote" and gives to each share-holder one vote only, regardless of the number of shares he holds in the society—a practice antagonistic to the cardinal rule in joint stock companies of correlating the voting power to the share-holding. Another point that needs emphasis in this connection is the practical adoption of the co-operative principle of "One man, one vote, and no proxy." A co-operative society being an aggregate of individuals and not of capital, it is

the presence, the arguments and views of a member that count more than his vote, and consequently an absent member is debarred from voting by proxy as he can do under the Companies' Law. A member cannot be allowed to vote in support of his own views and also to vote for absent members in support of their views, which because of their absence, others had not the opportunity to modify by arguments. Of course, when a co-operative society is a member of another society, it is allowed to appoint one of its members to vote on its behalf in the affairs of that society. Proxies have not been expressly excluded, it is true, by the Co-operative Act ; but the wording of the section and the discussions during the framing and passing of the Act impliedly exclude proxies altogether.

(iv) *Dealings with non-members.* A co-operative society exists primarily for the benefit of its members, and not for the benefit of others ; it is a service-performing institution and not a profit-making one. The credit society, particularly one of unlimited liability, must have a carefully chosen membership, being meant for those who have no other security but personal to offer for obtaining credit ; the members must know one another intimately. Under such circumstances it is natural, nay essential, that societies should not, under co-operative law, make loans to non-members. The whole structure of a loan-granting society, that is a credit society, demands the positive exclusion of non-members in respect of money-lending. As regards other types of societies, the question of sanctioning loans does not arise usually and all societies are therefore prohibited from making loans to non-members, under the Co-operative Societies' Act. It is however conceivable that there might arise occasions when a loan to a non-member might become necessary and might be in the best interests of the society itself, particularly in the case of housing, consumers' and producers' societies. The law therefore is content with enunciating the general rule leaving it to the Registrar to make exceptions thereto in special cases.

(v) *Lending on security of Movable and Immovable property.* A further restriction on the money-lending powers of a rural credit society is necessary in this that such a society contemplates granting loans on personal security only and not on the security of movable or immovable property. It is the character of the members that forms the basis of credit and not any particular property, movable or immovable. But it might become, and it does become, necessary to accept as collateral security lands or buildings and even orna-

ments and other movable property. For prompt repayment, experience has shown that the best security apart from character is that of immovable property. Co-operative Law therefore enunciates this view by prohibiting loans on the security of movable property and by permitting loans on the security of immovable property, reserving to the Registrar power in both these cases to make exceptions.

(vi) *Investment of Funds.* An important limitation of the powers of a co-operative society arises from the fear that it might not be managed with perfect efficiency, as it generally is composed of persons of very limited means who have not had experience of any managerial work. The small farmer or the small producer, the weaver or the shoe-maker, is generally so inexperienced in the work of managing the society that serious doubts might well be entertained about the success of the society unless some safeguards were prescribed. The investment of the funds of societies has been therefore regulated by co-operative law and the creation of a strong reserve fund has been prescribed and towards that end, the minimum that must be carried to the reserve fund has been specifically ordained.

As to investments of its surplus funds, a society is authorized to invest or deposit its funds (i) in a Postal Savings Bank, or (ii) in any of the securities specified in Sec. 20 of the Indian Trusts Act, 1882, or (iii) in the shares or on the security of any other society provided that no such investment shall be made on the shares of any society other than one with limited liability, or (iv) with any bank or person carrying on the business of banking approved for this purpose by the Registrar, or (v) in any other mode permitted by the Rules. Rule No. 27 of the Bombay Co-operative Societies' Rules of 1927 permits a society with the previous sanction of the Registrar to invest its funds, or a portion thereof in the purchase or leasing of land or buildings, and in construction of buildings provided that the purchase of such land or construction of such buildings is likely to be advantageous to the society in the conduct of its business.

(vii) *Reserve Fund.* As regards the Reserve Fund, the credit society and the producers' society have been asked to carry at least one-fourth and the other types at least one-tenth of the net profits to the Reserve Fund. The type of the society that needs most protection and therefore the strongest reserve fund is undoubtedly the rural credit society, and the law in Bombay prohibits the distribution of profits by such societies altogether without the

specific order of Government and relaxes this prohibition in the case of societies on a basis of unlimited liability in which members hold shares, allowing them to distribute their profits after 10 years from the date of registration. These are very necessary safeguards in the best interests of such societies, for their strength depends on a strong reserve fund quickly built up. And yet, one cannot but feel that the prescribing of 25 per cent. as the amount of profits that must be carried to the Reserve Fund in the case of Resource Societies and prohibiting the distribution of profits for all time without the order of Government are in a way inconsistent. These provisions being in the nature of safeguards against bad or doubtful debts, at least the persons who repay their borrowings regularly should receive some tangible advantage, apart from the very doubtful advantage of not having to pay penal interest on their loans. It might be therefore prudent to allow at least 25 per cent. of the net profits to be distributed to those who have regularly repaid their loans in proportion to the amount of their borrowings. To take away all incentive to regular repayment is not the proper thing to do and some such relaxation as suggested above should prove useful.

PRIVILEGES OF CO-OPERATIVE SOCIETIES.

While co-operative societies have restrictions thus placed on their powers, they have been given important privileges and concessions also. Among the most important of these is the Prior Claim conceded to a co-operative society. Any debt or outstanding demand owing to a society by a member or past member has been made a first charge upon the crops and other goods raised or purchased in whole or in part from any loan given him by the society. The All-India Act of 1922 constitutes this to be merely a prior claim and as such to give effect to it, it was necessary for the society to get a decree prior to any other creditor. Once another creditor got a decree, the society had no privilege under this provision; but now the Bombay Act of 1925 regards this as a first charge and whether the society was not or was the first to get a decree does not matter. It is an important privilege to a co-operative society to thus get priority and first charge for its debts and outstandings. Another important privilege is the right to set off any sum credited or payable to a member or past member on account of shares or deposits, in or towards payment of any debt due from such member, or past member. The shares or interest in the capital of a society held by a member have been

further declared not liable to attachment or sale under any decree or order of a court of justice. Co-operative Law recognises further that a past member remains liable for a period of two years after his ceasing to be a member for the debts of a society as they existed at the time when he ceased to be a member, since a member of a society is not supposed to be a sleeping share-holder as in a joint stock concern but an active participant in its affairs and must therefore continue to remain liable for a reasonable period. The deceased member similarly, that is, his estate continues to remain liable for one year after his decease. Among other privileges may be mentioned the exemption of a society from the payment of fees under the Indian Registration and Indian Stamp Acts, and it has not to pay any Income Tax in respect of its profits. The Bombay Act further empowers Government to give loans to societies or guarantee the payment of interest on debentures issued by them, of course with such safeguards as might seem necessary. While therefore not compelling Government to give loans to societies, the law empowers it to do so and is suggestive of a desire on the part of the Government to extend their help to societies in special cases. Such are the restrictions and such are the privileges imposed upon and conferred on co-operative societies by Co-operative Law.

INSPECTION OF AFFAIRS OF A SOCIETY. In all movements which are essentially popular movements, a certain amount of impatience is naturally felt and expressed where provisions are made in law regulating the movement and such provisions are resented as unnecessary official interference. The Bombay Co-operative Societies' Act has undoubtedly two such sections under which the Registrar can inquire into the "affairs" of any society and can inspect the books of any society which has failed to give satisfaction to its creditor demanding payment of the money due to him. But no sane person will object to them on the ground of permitting interference by officious officials. Sec. 43 of the Act no doubt enables the Registrar of his own motion to inquire into the affairs of a society. But it will be admitted that such a power in the hands of the highest officer of the Department is necessary and is not likely to be abused. The section further makes it obligatory on him to do so, if an application is made to him by a majority of the managing or other directing committee of the society or by 2/3 of the members of the society. The inquiry provided by the section is a most comprehensive inquiry and

authorizes him to look into the "constitution, working and financial condition of the society," so that the Registrar can see whether the members of the society have continued to be the same homogeneous body which they formed at the time of the registration of the society or whether the body has suffered by admission of heterodox or other undesirable persons into the society. He can inquire with a view to find out if the society has been worked on right lines of prudent management, whether its borrowings and lendings have been proper, and also whether it has been conducted on right co-operative principles. He can thus find out whether the condition of the society is such as to permit the mending of the society by putting it on the right track or whether it should be cancelled, its financial bottom having gone, and it being impossible to keep it floating. Sec. 44 is much narrower in its scope. It gives a creditor who is not paid on the due date, or who has not received satisfaction otherwise, to apply to the Registrar under certain terms for inspection of the society's accounts in order that he may know the result of such inspection of accounts, and may shape his conduct accordingly so far as his relationship with the society is concerned.

WINDING UP OF A SOCIETY. As the Registrar has been armed with these powers of inquiry and inspection in order that he may endeavour to keep a society going if possible, he has also power to issue orders to direct it to be wound up. He may do so as a result of the said inquiry and inspection; or he may do so on receipt of an application made by $\frac{3}{4}$ of the members of a society present at a special general meeting called for the purpose or he may do so of his own motion in the case of a society that has not commenced working, or has ceased working or possesses shares, or member's deposits not exceeding Rs. 500/-. The Registrar may also direct a society to be wound up if its membership falls below the number fixed by law as the minimum.

When ordering a society to be wound up the Registrar may appoint a liquidator for the purpose and fix his remuneration. An order directing a society to be wound up is appealable and a party aggrieved by the order may appeal to Government within two months of the date of the communication of the order to him. Where the Registrar has appointed no liquidator, he shall make an order cancelling the registration of the society after the period of the appeal is over, or if an appeal is preferred after confirmation of such order in appeal. Where a liquidator has been appointed by

him, the Registrar shall make such an order after the affairs of the society are wound up by the liquidator, and when such an order is made, the society shall be deemed to be dissolved from the date of such order.

Before we deal with the provisions relating to liquidation it will be better to clear the ground by defining certain terms which are used in those provisions and which are taken from the Company Law, namely :—(i) Share and interest, (ii) Present and past member, (iii) Contributory, (iv) Misapplication, (v) Misfeasance and (vi) Breach of trust.

(i) *Share and Interest.* A society or company is sometimes formed with a certain capital proposed to be raised and then it is determined that that capital shall be divided into a fixed number of shares of a fixed face value. The number of divisions into which the capital of a company is divided is called a share and is given the appropriate number. When the capital is not divided into shares, the members of the society may, all the same, have interest in the capital of a society, that is, a right of ownership over the assets of the society ; that right of ownership as a co-owner or partner in the concern is the member's interest in the society.

(ii) *Present and Past member.* Sec. 3, Cl. (c) defines a member. A member includes a person joining in the application for the registration of a society or a person admitted to membership after a society is registered in accordance with the rules and by-laws applicable to such a society. The law requires that his name shall be entered in a register of members to be maintained by the society. A member whose name is on the register of members is a present member of the society ; one who has ceased to be a member of the society for any reason whatsoever is a past member of the society. A person may cease to be a member of a society by transferring his shares to another person. In such a case the transferor ceases to be a member so soon as the transfer is registered but not before. He may also cease to be a member by his shares being forfeited or by his shares being sold for enforcing the society's claim against him, as also by his surrendering his shares voluntarily. A member who ceases to be a member in one or other of the above ways is still liable as a past member if the society is wound up within two years of his ceasing to be a member.

(iii) *Contributory.* A *Contributory* is a person who is liable to contribute to the assets of the company or society in case the company or society is wound up. We are, therefore, to determine the extent of his liability. In the case of a society, with limited

liability, all members thereof would be liable to contribute to the assets of the society that is being wound up to the extent of the unpaid calls on their shares. In the case of a society, with unlimited liability, all the present members thereof will be liable to contribute to the assets of the company to the extent necessary to pay off its debts in full. But over and above the present members who are liable to the extent above stated, past members of the society are also liable for its debts as they existed at the time when they ceased to be members if the winding up order was made within a period of 2 years from the date of their ceasing to be members (Sec. 28) ; even the estate of a deceased member is liable for the debts of a society as they existed at the time of his death if the winding up order should be made within a period of one year from the date of his death. A delinquent promoter or manager or other officer of a society can also be made to contribute to the assets of a society in liquidation as will be seen later on.

(iv) *Misapplication*, (v) *Misfeasance* and (vi) *Breach of Trust*. The words misapplication or misfeasance and criminal breach of trust are directly taken from the Company Law. Misapplication means using the money of the society in a manner not warranted by the law or rules made under the Act, or by the by-laws by which the society is governed. It means using the money contrary to the Act, the rules and by-laws of the society. Misfeasance means all kinds of misconduct and delinquency and breach of duty on the part of the Directors or members of the Managing Committee. The term 'breach of trust' is used in a more restricted sense in a case where following the breach of duty there has been a misapplication of the funds of the society. Having cleared the ground so far let us now consider what a liquidator, appointed by the Registrar by his order directing a society to be wound up, can do.

LIQUIDATOR: HIS POWERS. The liquidator appointed under Sec. 47 has been given very wide powers. But he has to exercise them with the sanction of the Registrar. He can pay any class or classes of creditors in full, or make any compromise or arrangement with any creditors present or prospective or persons claiming to be creditors. Similarly he can compromise with regard to all calls or liabilities to calls or debts, present or future, certain or contingent. He can from time to time determine what contribution is to be made by members or past members or by estates of deceased members, or by any officer of the society. He can insti-

tute and defend suits and other legal proceedings in his official name and can get disputes referred to arbitration. He can investigate all claims against the society, decide questions of priority arising out of such claims and pay rateably according to the amount of such debts, can move the Collector for recovery of moneys due to the societies as arrears of land revenue and generally do all things necessary to wind up the society. He may also carry on the business of the society so far as may be necessary for the beneficial winding up of the same.

POWER OF REGISTRAR TO ASSESS DAMAGES AGAINST DELINQUENT PROMOTERS, ETC. A new section is added to the present Act which does not find place in the Act of 1912. It enables the Registrar on the application of any creditor or contributory, or of the liquidator, to examine into the conduct of any promoter or manager of a society or of its past or present Chairman, Secretary, Member of the Managing Committee or any other officer of the society; and if on such an examination it appears that any one of them has misapplied or retained any money or property of the society or has otherwise been accountable for any such money or property, or if it appears that any one of them has been guilty of a wrongful act in breach of any duty imposed on him by law and that he has, by such misconduct or wrongful act, managed to misappropriate or convert to his own use, any money or property belonging to the society, the Registrar has power to order him to repay or restore the property so wrongfully retained, misapplied or dishonestly misappropriated or converted to his use with interest at such rate as he may deem proper.

DISPOSAL OF SURPLUS ASSETS. Another new section has been added to the present Act regarding the disposal of the surplus assets of a society taken into liquidation. It lays down that after all the liabilities including the paid up share capital of a society have been met, the surplus assets of a cancelled society shall not be divided among its members but shall be devoted to any object or objects (a) described in the by-laws of the society, (b) if no such object or objects are so described, then to any object of public utility determined by the general meeting of the society and approved by the Registrar and (c) they may be assigned by the Registrar in consultation with the society to an object of public utility of local or communal interest or to (d) a charitable purpose as defined in the Charitable Endowments Act of 1890 or (e) to the

Bombay Central Co-operative Institute or (f) may be placed on deposit with a Central Co-operative Bank until such time as a new society with similar conditions is registered when with the consent of the Registrar such surplus may be credited to the reserve fund of such a new society.

JOINT BOARD OF LIQUIDATORS FOR LIQUIDATING A HOUSING SOCIETY. When the society directed to be wound up is a housing society the work of winding up of the society is entrusted to a joint Board of three liquidators—one of whom is nominated by the society, one by the Registrar and the third one by the Bombay Central Co-operative Institute. They will have all the powers of a liquidator under the Act as described above, and may with the sanction of the Registrar continue the working of the society, or may subject to such sanction and in consultation with the members of the society in a general meeting reconstruct the society or may sell off the premises of the society to the best advantage of all interests concerned and when all the liabilities of the society are met, may dispose of the surplus assets of the society as stated above.

BAR OF CIVIL COURT JURISDICTION. In order to safeguard a society in liquidation against being involved in a vortex of litigation, it is enacted that no civil court shall take cognizance of any matter connected with the winding up or dissolution of a society, and that when a winding up order has been made, no suit or other legal proceeding shall lie or be proceeded with, except by leave of the Registrar and subject to such terms as he may impose. This is subject to an important exception which will be dealt with while dealing with matters relating to arbitration.

ARBITRATION. The Co-operative Societies' Act aims at avoiding resort to law courts as far as possible. This is with a view to save people from the ruinous costs of a civil litigation. The Act therefore states that all parties shall settle their disputes by arbitration. Ordinarily parties are free to choose their own judges for such arbitration. It is not however completely so under the Co-operative Societies' Act. Under it, in case of any dispute touching the business of a society between (i) members or (ii) between past members or (iii) between persons claiming through a member or past member or (iv) between members or past members, or persons claiming through either of them on one side and any

officer, agent or servant of the society on the other or (v) between the society and its committee and any officer, agent, member or servant of the society, the dispute shall be referred to the Registrar for decision by himself or his nominee. It however gives an option to either of the parties, if they so desire, to have their disputes settled by an arbitration of three persons, one of whom shall be the Registrar or his nominee, and two others, one of whom shall be nominated by each of the parties concerned. The award of the arbitrators or the decision by the Registrar or his nominee shall not be liable to be called in question in any Civil or Revenue Court. But any party aggrieved by the decision of the Registrar's nominee may within one month from the date of the award appeal to the Registrar. The Registrar shall decide the appeal. His decision shall be final and conclusive.

STATUTORY NOTICE OF TWO MONTHS BEFORE SUIT AGAINST SOCIETY BY NON-MEMBER. Since societies or members thereof are compelled to have their disputes touching the business of the societies settled by arbitration, provision is also made against a non-member recklessly driving a society or its officers into unnecessary civil litigation. No suit shall be instituted against a society or its officer in respect of any act touching the business of a society without two months' notice of an intended suit to the Registrar, so that the Registrar may be able to avoid all avoidable litigation by an amicable settlement.

DISPUTE TOUCHING THE BUSINESS OF A SOCIETY. The words "any dispute touching the business of a society" have been the subject of judicial decisions in several cases. In one of them a Co-operative Stores Society claimed money from one member of a purchase committee which they had appointed to purchase stores for them. The liability was disputed. It was contended that such a dispute did not fall within the ambit of the section, which was confined only to disputes regarding the internal management of the affairs of a society or disputes regarding the principles which would regulate the conduct of business ; a dispute for instance whether the society should purchase and deal in a particular commodity or should take a particular line of business, would come within the terms of the clause but a dispute arising out of any particular transaction would be outside the scope of the section. The contention however was negatived. In another case it was held that election of its office-bearers was also a busi-

ness of the society and any dispute regarding it should be settled by arbitration. No suit can therefore lie for determining the validity of the election of the office bearers of a society under the Co-operative Societies' Act.

REGISTRAR MAY SUSPEND ARBITRATION. The Co-operative Societies' Act also makes another inroad on the freedom of people to have their disputes settled by arbitration if they are agreed to do so, inasmuch as it provides that the Registrar may if he thinks fit suspend proceedings in any matter referred to arbitration, if the matter should involve complicated questions of law and fact until the questions has been tried by a regular suit instituted by one of the parties or the society.

APPEALS AND REVISION. A party aggrieved by any of the following orders or decisions passed or approved by the Registrar may appeal to Government within two months of the date of the communication of the order.

- (i) Order refusing registration of a society.
- (ii) Order refusing amendment of registered by-laws.
- (iii) Order apportioning cost of an inquiry or inspection of books of a society.
- (iv) Order directing winding up of a society.
- (v) Order assessing damages against delinquent promoters, managers, officers, etc.
- (vi) Orders or awards on arbitration.
- (vii) Orders passed by the Liquidator and sanctioned by the Registrar.

Besides the right of appeal given to aggrieved parties in the above cases, the Registrar and the Government are empowered to call for and examine the record of any inquiry or the proceedings of any officer subordinate to them, for the purpose of satisfying themselves as to the legality or propriety of any decision or order passed and as to the regularity of the proceedings of such officer. If, as a result of such an examination, it shall appear to the Government or the Registrar that any decision, or order or proceeding in any case so called for should be modified, annulled or reversed the Government or the Registrar as the case may be, may pass such orders thereon as to it or him may seem fit.

EXECUTION OF ORDERS. As seen above, a liquidator is competent, with the sanction of the Registrar, to pass orders

regarding payment of money and many other things. Similarly the Registrar, or his nominee or arbitrators appointed under the Act can pass orders too. Orders may further be passed by the Registrar or by Government on appeals presented to him or it. Orders directing payment of money may be executed in two ways, (i) by any civil court on a certificate signed by the Registrar or a Liquidator in the same manner as a decree passed by it or (ii) by any revenue court, on an application made to the Collector for recovery of the money ordered to be paid, accompanied by a certificate signed by the Registrar or by an Assistant Registrar to whom the power of signing such a certificate has been delegated by the Registrar. The recovery of money in the latter case is made as if it was arrears of Land Revenue. All other orders can only be executed by a Civil Court, as if they were decrees thereof on a certificate signed by the Registrar or a Liquidator. As a matter of actual experience it has been found that in some cases persons combine for the purpose of preventing a sale of the property at a reasonable value thereof. To provide a safeguard against such a combination, it has been now enacted that when the property attached cannot be sold for want of buyers, the same may be handed over to a society with the previous consent of the Registrar on such terms and conditions as may be agreed upon between the Collector and the said society.

SANCTIONS OF LAW. Law cannot be respected unless the breach thereof can be adequately punished. Law, therefore, always provides what are known as sanctions and the Bombay Co-operative Societies' Act accordingly provides for five different offences, and prescribes a fine not exceeding Rs. 50/- for the commission of any of the said offences. One of such offences is committed by trading or by carrying on business under any name or title of which the word Co-operative or its vernacular equivalent forms part. In that case it is provided that the offender shall, besides being punishable with a fine which may extend to Rs. 50/-, be further liable to pay a fine of Rs. 5/- for each day on which the offence is continued after conviction thereof.

PROSECUTIONS UNDER THE ACT. Lest village feuds and factions lead to frivolous vexatious prosecutions the Bombay Co-operative Societies' Act forbids a prosecution under the Act without the previous sanction of the Registrar which shall not be given except after hearing the party concerned. Every

offence under the Act has been made non-cognizable for the purposes of the Criminal Procedure Code. So the Police are precluded from interfering with cases of alleged offences under the Act. Finally the power to try such offences has been taken away from any Magistrate inferior to a Presidency Magistrate or a First Class Magistrate.

GOVERNMENT AUDIT. No monograph on Co-operative law will be complete without reference to the provision for Government audit made under the Act. The Act lays on the Registrar the duty by himself or by some person authorized by him in writing by general or special order to audit the accounts of every society once at least in every year. The audit includes the examination of overdue debts, if any, the verification of cash balances and securities and a valuation of the assets and liabilities of the society. This is very necessary in order to secure the confidence of the people in Co-operative Societies and it is obviously necessary that this should be continued for many years to come till the movement gathers sufficient strength to stand on its own legs. Rules 29, 30 and 31 of the Co-operative Societies' Rules deal with the subject of audit. The audit was absolutely free in the commencement. Even now the Registrar audits all primary societies free of any charge, if their working capital does not exceed Rs. 50,000/-. But societies, the working capital of which at the beginning of the co-operative year exceeds Rs. 50,000 may be required by the Registrar to bear the charges of the audit of their accounts. The amount of such charges is fixed by the Registrar and is recoverable under Sec. 65 of the Act as money due to Government. Consumers' Societies with a working capital exceeding Rs. 50,000/- are allowed to arrange for their annual audit independently. If they are able to make their own arrangements, they are to report the fact to the Registrar before the 1st of May every year. If such a report is not received, the Registrar arranges for the compulsory audit of such society by an official auditor. For such an audit, a fee of Rs. 10/- per day is charged. It is, however, clear that departmental auditors cannot possibly examine the valuation of the assets and liabilities of a rural primary society as no complete list of assets is kept by such society and there is no official record of the liabilities of its members with private Sahukars.

RULE-MAKING POWERS OF GOVERNMENT. As the movement is in its infancy the Act is necessarily required to

be made as simple as possible, and therefore much is to be left to the usual rule-making power of Government for the purpose of supplementing the detailed rules of the administration of the Department. There is another good reason why, in the case of a Statute dealing with a movement in its infancy, all these matters of administrative details should be left to be regulated by rules made under the Act instead of trying to incorporate all of them into the Act. It is not very easy to amend, alter or add to any piece of legislation once enacted, within a short time after the date of its enactment. Legislation is necessarily a tardy process and a number of formalities have to be rigidly observed before existing legislation may be abrogated, altered or amended. Government, however, can make necessary alterations or amendments in the rules made by Government by executive orders. Under Sec. 71 of the Bombay Co-operative Societies' Act therefore Government are empowered to make all rules which they may consider necessary to carry out the purposes of the Act. The rules, however, should always be *intra vires* of the Act i.e. within the purposes of the act, and they can have the force of law only after previous publication in the local Government Gazette. So far as the rules under this particular Act are concerned, they will have the force of law after they are laid on the table of the Bombay Legislative Council for one month previous to the next session of the said Council. They are liable to be rescinded or modified by a resolution of the said Council tabled at the said session of the Council. If no such resolution is brought at the said session, the rules shall have the force of law after the prescribed period is over.

CO-OPERATIVE SOCIETIES' RULES. In pursuance of the power given to Government by sec. 71, the Co-operative Societies' Rules have been promulgated and have come into force from 11th August 1927. It will be adding unnecessarily to the length of this monograph if an attempt were made to refer to all of them in detail. The importance of some of them, however, is so great as to demand at least a passing reference to them here. The Registrar has power to register a society as well as its by-laws. If he refuses to register it or them Sec. 10 Rule No. 3 makes it obligatory on him to communicate his reasons for refusal to the applicants. This is necessary, for the applicants have a right to appeal to Government against the Registrar's refusal within 2 months from the date of the communication of the order. Sec.

35 of the Act imposes restrictions on the borrowing power of a society. It says a society shall receive deposits and loans from persons who are not members only to such an extent and under such conditions as may be prescribed by the rules. The rules lay down that every society with unlimited liability shall from time to time fix in a general meeting the maximum liability which it may incur in loans and in deposits from non-members during the year. The maximum so fixed shall be subject to the sanction of the Registrar who may at any time reduce it for reasons to be communicated by him to the society in writing and may prescribe a period not being less than 4 months within which the society shall comply with his orders. No society shall receive any loan or deposit from a non-member which will make its liability to the non-members exceed the limit sanctioned by the Registrar.

With regard to societies with limited liabilities they shall not borrow any sum exceeding eight times the total of their paid up share capital plus their accumulated reserve fund. This restriction is subject to an important proviso, viz. that all gilt-edged securities owned by the Bombay Provincial Co-operative Bank or by a District Central Bank may up to an amount equal to twice the paid up share capital be excluded from such a calculation provided that such liabilities are incurred on the following conditions :— (i) The said gilt-edged securities owned by a District Central Bank are deposited in the custody of the Bombay Provincial Co-operative Bank and (ii) in the case of the Sind Central Co-operative Bank, the said securities are lodged with the Imperial Bank of India and in the case of the District Central Bank in Sind the securities are deposited in the custody of the Sind Central Co-operative Bank.

Agricultural Credit Societies further shall not accept deposits which are not fixed for a period of at least two months except Savings Bank deposits in case of such societies, as are permitted to maintain Savings Banks Accounts. As to advancing loans, no society shall make any loan to a member on a bond secured by the suretyship of a non-member, provided that the society may be exempted by the Registrar from the operation of this rule. Similarly a society shall not advance loans to its members on the hypothecation of the shares of that member in that society. Inter-lending between societies is strictly prohibited by sec. 34 and a loan for the purpose of that section includes a deposit made by one society with another society. The reserve fund of any registered society may be utilized in the business of the society or be invested

or deposited in any of the ways mentioned in clause (a), (b), (c) and (d) of sec. 37. It is, however, open to the Registrar to restrict the investment in the second manner only. Detailed rules are laid down as regards the procedure to be followed in arbitration proceedings, the most important of which is that no party shall be represented by a legal practitioner. Evidence is to be recorded by the Registrar or his nominee and the decision is to be according to justice, equity and good conscience. The decision in award shall be in writing ; in case where a board of three arbitrators has been appointed, the opinion of the majority shall prevail, and in case of equality of votes, it shall be decided by the Registrar himself.

CHAPTER XI.

THE PROVINCIAL CO-OPERATIVE INSTITUTE, BOMBAY

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- I. *Early History; Part taken by non-officials: Honorary Organisers; Organisers of Urban Banks. Discussions in earlier Provincial Co-operative Conferences; Early co-operative enterprises started by non-officials of Bombay.*
- II. *Formation of the Institute. Co-operative schemes discussed at the Provincial Co-operative Conference of 1917. Seven special committees. Old Bye-laws.*
- III. *Constitution of the Institute; Name and area of Operation, Membership, Board of Management. The Revised Constitution.*
- IV. *The Branches of the Institute; Divisional and District.*
- V. *Two proposed schemes; Proposed Co-operative Board. Proposed Divisional Federations.*
- VI. *Work of the Institute: General; Conferences; Propaganda; Education.*
- VII. *General Remarks; Position of the Institute in the Movement.*

CHAPTER XI.

THE PROVINCIAL CO-OPERATIVE INSTITUTE, BOMBAY

The Co-operative Movement in European Countries is entirely a peoples' movement, inasmuch as it was started by the people and is being conducted by the people. The law came to its help at a later stage, only to see that the movement was conducted on proper lines by giving a legal status to the societies. The movement in India, on the other hand, was started by Government and is also being conducted by it. But the democratic principles of the movement, which form its essential features, cannot be expected to be developed and to have full play, unless the people themselves assume full control over it. This object in our country cannot be achieved in a day or by the stroke of the pen. But work towards that end must be directed at as early a stage as possible and must be supported by the efforts of the people and also by the encouragement of Government, in the interest of the movement itself. Organisations with this object are established in the different provinces of the country under the name of Federation, Union, Institute or the like, for taking over certain non-statutory work and also for voicing popular opinion on questions relating to the movement. The Provincial Co-operative Institute of Bombay is an organisation of this type.

I. Early History

One important feature of the Co-operative Movement in the Bombay Presidency is the help it has been receiving from its very inception, from persons outside the Department. And for this, not merely the persons concerned, but the successive Registrars who encouraged them, deserve credit. The first society¹ in the Province was registered on 8th May 1905 ; and from September of that year private gentlemen and retired officers began to be en-

¹ Kanginhal Rural Co-operative Credit Society, Unlimited, Dt. Dharwar.

listed as Honorary Organisers,¹ who helped the Registrar in the work of organising societies in their respective districts, receiving only out-of-pocket expenses for travelling and *bhatta*.

Meanwhile support to the movement from non-officials came from another quarter, viz., the Urban Societies.² These societies form another important feature of the movement in the province also from its inception due to the recognition of the benefits of Co-operation by the townspeople, who started urban co-operative societies, (known later as Co-operative Banks) in various towns. Thus in the year 1906 such societies were started in Bombay, Poona, Barsi, Belgaum, Dharwar, Hubli, Betgeri, Umreth and Gokak, as many as three being started in Bombay, two in Poona, and one each in the remaining towns. By the end of June 1909 out of 154, the total number of societies registered, there were as many as 45 Urban Societies. Their number has gone on increasing every year, and now we have them in almost every town, Bombay alone possessing about 200 of them to-day. Urban Societies helped the movement in two ways. Firstly, they came soon into a position to attract large amounts of local deposits³ which enabled them to use their surpluses in lending to the rural societies at a time when the Central Financing Banks did not come into existence. Thus for instance, apart from the Bombay Urban Society, the predecessor of the Bombay Central (now Provincial) Bank, started in 1906 solely for the purpose of lending to rural societies, the Shamrao Vithal Urban Bank of Bombay, also started in the same year, lent several thousands to the societies in Gujarat and Poona. Secondly, the organisers of these Urban Societies, coming as they did from the intelligentsia of the province took an important part in shaping the policy of the movement in various ways, their efforts culminating in the organisation of the Institute in Bombay in 1918. While many an institution of this type owes its inception in other provinces, except in Madras, to official inspiration, the one started in Bombay owes its inception to the efforts of non-officials, though it must be admitted, that it did receive

¹ The first Honorary Organiser was Mr. K. N. Bhangaonkar, retired Deputy Collector, appointed for the Khandesh Districts, on 26-9-1905.

² The first Urban Society was the Umreth Urban Co-operative Credit Society Ltd., Taluka Anand, District Kaira, registered on 26th December 1905.

³ The total capital of all the Urban Banks is not much below that of all the District Central Banks.

support and recognition from the Department, perhaps to a greater extent than in any other Province.

It would be interesting to trace the events which led to the establishment of the Bombay Institute. In the earlier years of the movement the only concerted action taken by persons outside the Department, (who for want of a better term are here described as non-officials,) consisted in taking an active part in the discussion of problems relating to the movement at the Co-operative Conferences organised by the Registrar. The first Provincial Conference was held in Bombay in 1908, and the second in Poona in 1910. Thereafter it was held annually, except during the period of the war. Smaller ones, known as Divisional Conferences were also being held from 1910 in the three linguistic divisions of the Karnatak, Maharashtra and Gujarat. The proceedings of the Provincial Conferences were printed and published from time to time, but not those of the Divisional ones, the important points discussed there being summarised by the Registrar at the next Provincial Conference.

In the first two Provincial Conferences, the subjects discussed related mainly to the finance of the rural societies. From the third Conference such questions, as co-operative propaganda, supervision, co-operative education, the desirability of starting a Co-operative Journal and the like, were taken up for discussion at the instance of non-officials. On the other hand, the non-official co-operators in the City of Bombay took several practical steps towards the solution of the problems raised by them in the Conferences, which in fact formed the basis of the Institute. In 1912 the English weekly Journal by name "Commerce and Co-operation" was started in Bombay as a private enterprise, the articles and news on co-operation appearing in it being contributed by local co-operators. In 1913 was started the Bombay Co-operative Housing Association for carrying on propaganda for, and to encourage the formation of, Co-operative Housing Societies. This Association organised a library of books on housing and held weekly public meetings for lectures and discussions. It also published a number of leaflets on the various phases of the housing problem. Co-operative activities in other directions besides housing were also taken in hand by local co-operators. With a view to encourage the study of the various problems of the Co-operative Movement, a Co-operative Central Library was started in Bombay about the end of 1914, and it formed the centre of many co-operative activities in the City. It enrolled 63 members within a short

time paying an annual subscription of Rs. 3/-. It got together a decent number of books and periodicals on Co-operation¹ and published in 1915 a catalogue of books. It issued a few vernacular leaflets on Co-operation. By the beginning of 1916, the Journal "Commerce and Co-operation" having ceased to exist,² the question of issuing a journal exclusively devoted to co-operation was taken up by the Committee of the Library and from the middle of 1917³ it began to publish the Bombay Co-operative Quarterly which still continues to be published under the same name by the Co-operative Institute as its organ.

Side by side with these activities, the question of co-operative education also began to assume a practical shape. Mr. G. K. Devadhar of the Servants of India Society, who with the help of some of his colleagues had started in 1913 a number of co-operative societies⁴ among the working classes of Bombay, felt the urgent need of training the Secretaries of those Societies in the principles of co-operation and the methods of carrying on their work efficiently. He, therefore, organised for that purpose a small class in 1914 with the help of some local co-operators and called it the Co-operative Secretaries' Training Class. Though the step, being the first of its kind, cannot be said to have achieved much, it paved the way for future development. For the second year's class held in 1915 a loan of two Auditors was taken from the Registrar, and the class was conducted in two languages, Marathi and Gujarati, and lessons were imparted not only in co-operative principles but also in accounts. No examination was held in the first year, but in this second an oral examination was held and certificates were issued to successful candidates. From the third year the classes were marked by four important features : (i) A committee was appointed to conduct the class, the Registrar having deputed his assistant to work on it. (ii) Secretaries of the mofussil societies began to attend it. (iii) A written examination was held to test the knowledge of the students at the end of the course. (iv) The Registrar made a grant towards the expenses of the classes.

¹ The Library possessed 170 books on Co-operation, 105 official publications and 198 pamphlets. All these have been transferred to the Institute.

² The first issue of "Commerce and Co-operation" was published on 23rd December 1912 and the last issue on 9th January 1916.

³ The first issue of the Quarterly was published in June 1917.

⁴ The work of advice and guidance of these societies was placed in the hands of a committee known as the Debt Redemption Committee.

Thus the classes became an annual function, and from 1919 the work was taken over by the Institute and was further developed.

II. Formation of the Institute

During the two years 1915 and 1916 no Provincial Conference was held by the Registrar on account of the unsettled state of the Government finances due to the war. But the interval was usefully spent by the non-official co-operators in Bombay, in organising the various activities indicated above, which virtually formed the foundation of the Institute. The Provincial Conference of 1917 was remarkable in many ways. It was at this Conference that Mr. M. K. Gandhi, (he was not known as Mahatma then,) read his paper on the "Moral Basis of Co-operation"; the plan for the permanent establishment of a "Co-operative Secretaries' Training Board" was passed on the basis of a paper read by Mr. N. M. Joshi; the idea of adult education in villages was approved on the lines of a paper read by the late Sir Vithaldas Thackersey; and the scheme for the establishment of the Co-operative Institute on the basis of a paper submitted by the present writer was sanctioned. Many other important subjects were also discussed at the Conference, but they do not relate directly to the subject under consideration.

Of the three schemes referred to above those relating to the Training Classes and the Institute were referred to sub-committees of the Conference and that on Night Schools was placed directly before the Conference, which gave its approval to the measure and appointed a Committee of six persons to take up the work at an early date. This Committee formulated a detailed scheme and brought it into operation from June 1918, conducted the schools for three years and then entrusted the work to the Institute from 1st April 1921. The scheme of the Training Classes as recommended by the sub-committee with certain modifications was adopted by the Conference and was entrusted to a Committee known as the Co-operative Secretaries' Training Board, which conducted the classes for one year in 1918 and handed over thereafter the work to the Institute.

The Sub-Committee which considered the scheme of the Institute placed the following outlines before the Conference :

"The Sub-Committee favour the idea of an organisation of the nature suggested in the paper. This organisation should have its Head-Quarters in Bombay City, but may extend its operations throughout the Presidency.

Objects of the Organisation

- A. Co-operative Propaganda :
 - (1) A library of co-operative literature.
 - (2) Co-operative Publications.
 - (3) The organising of co-operative meetings, lectures, conferences, etc.
 - (4) The training of Co-operative Secretaries and workers.
- B. The promotion of Social and Educational advancement in Co-operative Areas.
- C. Organising and Supervising affiliated Societies in Bombay City.
- D. Affording advice and guidance in Co-operative matters when requested to do so.

Constitution.

Societies and individuals may be elected members subject to the payment of such donations or subscriptions as may be prescribed. The Committee of Management to be elected by the general body of members, and the President and Secretary by the Committee.

Finance.

Sources.

- (1) Subscriptions of members.
- (2) Donations.
- (3) Subventions of Government (as already given for specific objects,) and grants by Provincial and District Banks.

The difficulty of the scheme lies in the finance. The beginning must be in Bombay. If a substantial fund can be raised in Bombay to start with, it will give the scheme a much better chance of success than would otherwise be the case.

A small committee should be appointed to draw up a scheme on the above lines."

These outlines were adopted by the Conference which appointed a committee for drawing up a detailed scheme. The committee entrusted the task of preparing the prospectus and the by-laws to Mr. R. B. Ewbank, the Registrar. The committee met twice in the following January, once on the 2nd when the outlines of the details were settled, and again on the 28th when the draft by-laws

and the prospectus were settled. They were then printed and provisionally issued to a large number of co-operators for support. A meeting of the promoters and sympathisers¹ was held on June 28th, 1918 in Bombay under the chairmanship of the Chief of Ichalkaranji, and it discussed in detail the prospectus and by-laws and adopted them with certain modifications, and on that very day handed them over to the Registrar with an application for registration signed by ten of the members present at the meeting. An announcement was made at the meeting that the following five persons had consented to become Life Members of the Institute by paying Rs. 500/- each as subscription :— 1. Sir Vithaldas Thackersey, 2. Mr. (now Sir) Lalubhai Samaldas, 3. Sir Fazulbhai Currimbhoy, 4. Mr. (now Sir) Chunilal V. Mehta, and 5. the Chief of Ichalkaranji.

The Institute was registered under the Co-operative Societies' Act on July 13, 1918, under the name of the Bombay Central Co-operative Institute. Copies of the Prospectus and By-laws together with the notice of the First General Meeting were circulated to a large number of persons and societies in the Presidency. The response received was satisfactory, altogether 327 applications for membership being received, 127 from individuals and 200 from societies. The First General Meeting after registration was held in Bombay on 2nd October 1918 at which the By-laws were formally adopted, Mr. (now Sir) Lalubhai Samaldas was appointed Vice-President and the present writer as Honorary Secretary of the Institute and a Board of Management was appointed consisting of 51 members representing different places in the Presidency.

On the following day i.e. 3rd October 1918 the Board of Management held its first meeting and appointed the following seven Special Committees to carry on the work of the Institute in its different departments :—

¹ The following gentlemen were present at the meeting held on 28th June 1918, besides those whose names appeared on the printed Prospectus as Promoters :— Prof. Burnett-Hurst, Messrs. V. H. Gonehalli (now Mr. V. H. Naik), N. M. Joshi, Manilal Nanavati (the then Registrar of Baroda), N. S. Lokur, P. K. Jambhekar, R. N. Rajadnya and M. M. Shah.

	Name of the Committee	No. of members	Chairman	Secretary
1.	Committee of Secretaries' Training Class to organise and conduct the Classes.	20	V. H. Gonehalli, M. A.	H. B. Diwanji, M. A.
2.	Committee of Night Classes and other social work.	11	Sir Vithaldas Thackersey.	P. C. Gotaskar, B. A.
3.	Co-operative Housing Committee to take over and carry on the work of the Bombay Co-operative Housing Association . .		The appointment of the members was held over pending negotiations with the Association for the transfer of its work to the Institute.	
4.	Committee of Co-operative Quarterly—to edit and conduct the Bombay Co-operative Quarterly . .		S. S. Talmaki, LL. B.	S. N. Karnad, LL. B.
5.	Committee of Co-operative Study, Propaganda and Enquiry	39	Mr. (now Sir) Chunilal Mehta, M. A., LL. B.	S. A. Brelvi, B. A., LL. B.
6.	Organisation Committee to take up the work of the Debt Redemption Committee of Bombay and to organise and supervise societies among the urban labouring classes	24	Mr. (now Sir) Lulubhai Samaldas.	K. S. Gore.
7.	Committee of other Co-operative Work—to assist and organise all kinds of non-credit co-operative societies	29	Mr. (now Sir) Purshottamdas Thakoredas, B. A.	Shantirai B. Mehta, B. A.

The above details are given to show the nature of the work which the organisers proposed the Institute should undertake. The total number of members appointed on these Committees was 128, excluding those on the Housing Committee, the appointment of which was held over pending negotiations with the Housing Association. The number was no doubt very large, even taking into account that some were common to two or more Committees, but this was due to a desire to enlist the sympathy of as large a number of persons as possible in the newly started Institute. But the unwieldy numbers proved to be a hindrance rather than a help, and it was soon found necessary to concentrate work in fewer hands as will be shown later on. It may however be mentioned that the work of the Debt Redemption Committee was not taken over at all by the Institute, that of the Housing Association was taken over from April 1920 and of the Night Schools from April 1921.

Brief Outlines of By-laws :—With a view to understand how the constitution of the Institute underwent several changes from time to time, it would be necessary to give a brief outline of the by-laws as they stood at the start. The by-laws were 22 in number. No. 1 stated the *name*, 2 the *objects*, 3 the *area of operation* and 4 *membership*. These will be noticed hereafter while discussing the changes made in them. No. 5 prescribed the rates of *subscriptions*. Individual members consisted of three classes paying subscriptions as follows : Life-members Rs. 500/-, Associates Rs. 25/- and ordinary members Rs. 5. The subscriptions in the case of societies were fixed on a sliding scale varying with the working capital on the preceding March 31st. No. 6 allowed society members with a working capital of over two lacs to send *two representatives* to the General Meeting. Nos. 7, 8, 9 and 10 regulated the time for paying subscriptions, defaults and resignations. No. 11 dealt with the Annual General Meeting and 12 with its functions, 13 with special general meetings, 14 with presiding at the General Meetings. No. 15 laid down that the President of the Institute shall be His Excellency the Governor of Bombay, and 16 that the Vice-President shall be a member elected at the Annual General Meeting and that he shall be the ex-officio Chairman of the Board of Management. No. 17 gave power to the Board to appoint as Patrons gentlemen making liberal contributions to the Institute. No. 18 prescribed the appointment of the Board of Management consisting of not less than 30 members, and meeting at least twice a year. Its functions were (a) to prepare the annual report of the Institute, the balance-sheet and its annual budget, (b) to

appoint Special Committees for different kinds of work, (c) to admit members and raise funds, (d) to ascertain the views of co-operators and draw up representations on all questions of public importance affecting the Co-operative Movement or any other questions referred to them by Government or any other responsible authority ; (e) to maintain an office and to appoint a paid staff. By-law No. 19 defined the duties of the Honorary Secretary ; No. 20 stated the powers of Special Committees ; 21 related to Funds ; and 22 to the office of the Institute. The number of by-laws stood at 22 for about seven years, though modifications were made in them from time to time, until the year 1926 when they were radically changed and enlarged to 42.

III. Constitution of the Institute

Name and Area of Operations :— We may now proceed to examine the constitution of the Institute ; the objects will be examined later on. The name is immaterial ; however it may be mentioned that the framers of the constitution affixed the word *Central* to the name in the hope that it should be possible to invite later on other Provinces to join it. Hence the area of its operation was laid down as follows :— “The operations of the Institute shall *in the first instance* be confined to the Bombay Presidency, the Baroda State and all the Native States under the political superintendence of Bombay Government.” But with the change of constitution effected in 1926, the name was changed into “Provincial Co-operative Institute, Bombay”, and the area of operation was confined to the geographical limits of the Bombay Presidency, including the Indian States.

Membership :— In the original scheme placed before the Conference of 1917, a federated body was advocated, but the idea was considered to be premature, and societies as well as individuals were made eligible for membership in the scheme adopted in 1918, as also in the revised scheme of 1926.

Board of Management :— Changes in the constitution in respect to the Board of Management were found to be necessary from the very first year. The Board consisting of 40 to 50 members spread over the whole province could scarcely be expected to meet more than twice a year to transact business, and the work relating to the different functions of the Institute had therefore to be entrusted to different Special Committees. Some of these, however, were as large as the Board itself. As stated in the second Annual Report of the Institute, it was found that the work of some

of these committees overlapped and their large size made it difficult to discuss speedily the various subjects that came before the Institute for consideration. The Board therefore thought fit to appoint at its meeting in the latter half of the second year a small Standing Committee of 12 members for taking over the work of most of the Committees. In the third year also a Standing Committee was appointed for the same purpose, and with a view to regularise this appointment the following addition was made to By-law No. 18 :—"The Board of Management may appoint a Standing Committee of 12 members from among themselves and delegate such of their powers as they think fit." It was, however, considered that the method of election of the Board and the constitution of the Standing Committee should be revised, and at the Provincial Co-operative Conference held in August 1921 Mr. V. H. Naik placed for consideration a definite scheme of election of the two bodies. But the Conference referred it to the Institute for consideration.

From the fourth year onwards the constitution of the Board and the Standing Committee of the Institute became a constant theme of discussion. At the fourth Annual General Meeting definite amendments to By-laws were placed for consideration assigning the work of election of the two bodies to different constituencies, such as the Divisional Branches of the Institute, the Provincial Bank, and the Registrar, provision being made for co-option of a certain number by the elected members of the two bodies. It was further proposed that the General Meeting be abolished, and that its function be assigned to the Board. The consideration of these changes was adjourned and it was directed that it be brought before a Special General Meeting to be convened therefor. This meeting was held on 28th October 1922, but it rejected the proposals by a narrow majority. The matter rested there only for a year and a half more. For at the sixth Annual General Meeting held on 26th July 1924 the question was again taken up and a special committee was appointed for the revision of the constitution of the Institute. This Committee met twice and formulated some proposals. The matter came up again for consideration at the next Provincial Co-operative Conference held in November 1924, at which three papers were presented on the subject and a fresh Committee was appointed to prepare a new constitution on the following lines :—

1. That the constituent societies, particularly the rural ones, should have a predominant voice in the management of the Institute.

2. That the organisation of district branches should be vigorously pushed on and that the divisional branches as responsible executives of the Institute may be abolished where they are not wanted by the members resident in the Division.
3. That the Committee should suggest the area of the district branches.
4. That where the Divisional branch does not exist or where it is abolished, that part of the work at present done by the divisional branches like that of organising conferences and publishing journals be entrusted, if necessary, to separate committees appointed by the central body.
5. That for the management of the Central Institute there should be a large and fully representative body with a smaller executive committee.
6. That the smaller executive committee should appoint sub-committees to deal with different problems with separate secretaries.
7. That the Committee should recommend the proportion for the distribution of funds among the different units within the Institute.
8. That the Committee should also recommend the proportion of representation between the constituent societies and individual members.
9. That the method of election should as far as possible be direct and that the Committee should prepare a scheme for the purpose.
10. That to facilitate the conversion of the Institute into a federation, the district or divisional organisations should be called "Institutes" instead of "Branches" as early as possible.

The Committee appointed by the Conference met twice in April next and submitted its report containing a new set of by-laws which was considered at the next Annual General Meeting held on June 20th 1925 and it was passed with certain modifications and was submitted to the Registrar for approval. The Registrar suggested certain modifications which came up for consideration at two Special General Meetings held on 10th January and 13th June 1926 and at the latter the by-laws as amended were finally passed.

The Revised Constitution :— Under the constitution of 1926 the Standing Committee has assumed the name of the Executive Committee, and the Board of Management that of the Provincial Co-

operative Council, and definite duties are assigned to each body. The General Meeting continues to exist whose main business is the consideration of the annual report and statements of accounts, to elect six members on the Provincial Council, to elect the President, and the Vice-President, to appoint an Auditor, and to consider any amendments to by-laws. His Excellency the Governor, who was the ex-officio President under the old constitution becomes the Honorary Patron of the Institute. Two Honorary Secretaries in place of one under the old by-laws are to be elected by the Council. The constitution of the Council is as follows :—

- (a) One member to be elected by each District Institute (Branch) from among the member societies in its area, and one additional member for every additional 100 societies in the District up to a maximum of 4.
- (b) Six members to be nominated by the Provincial Bank, three of whom to be representatives of the District Central Banks.
- (c) Ten members to be nominated by the Registrar from among the members of the Institute.
- (d) Three members to be elected by each Divisional Institute, one of whom to be a representative of non-resource societies.
- (e) Six members by the Annual General Meeting.
- (f) Ten members to be co-opted annually by the elected members of the Institute, three of whom to be representatives of non-resource co-operation.
- (g) The President and the Vice-President of the Institute.

A further change was made in the above by the Annual General Meeting held in August 1928 by reducing the number of 10 to 5 in Clause (f), and the number 6 in Clause (b) to 5 to be nominated by the Provincial Bank from its own representatives, and by adding 10 more representatives as follows :—

- (h) 5 to be elected by the District Central Banks.
- (i) 3 to be elected by Urban Banks.
- (j) 2 to be elected by the Housing Societies.

It will be seen from the above scheme that though individual members have not been eliminated, predominance has been given to the representatives of societies. It is expected that when all the societies, at any rate in the rural areas are brought under a chain of Unions, and the Institute becomes a Federation, individual members may cease to have any representation, though it is difficult to say whether membership itself will be denied to indivi-

duals. In order to insure attendance at the meetings of the Executive Committee and the Provincial Council provision has been made for payment of bhatta and travelling charges in the case of mofussil members ; but the General Meeting continues to be a weak link in the constitution, as no such provision is possible in the case of thousands of its members, with the result that the attendance at it has never gone beyond perhaps a little over two figures, out of a total number of about five to six thousand members.

IV. Branches of the Institute

Branches of the Institute—Divisional and District :— Decentralisation of the work of the Institute was taken in hand at the earliest possible opportunity and branches began to be started in the third year. One in Bombay for the whole City was opened on the 24th October 1920, at Poona for Maharashtra on the 4th November, at Dharwar for the Karnatak on the 7th November, at Broach for Gujarat on the 23rd November of the same year. At the third Annual General Meeting held in July 1921, the by-laws were amended by adding the words : "It shall be competent for the Institute to open its Branches or Sub-branches and to frame rules for their guidance," in by-law 3, and by allowing each Divisional Branch to elect 4 members on the Board of Management by a change in by-law 18. Even in electing the Standing Committee one representative of each Divisional Branch was appointed though the by-laws in this behalf were amended later on. Two more Divisional Branches were started in the fourth year, one at Alibag for the three Districts of the Konkan on the 22nd October 1921, and the other at Hyderabad for Sind on the 5th March 1922. A separate Divisional Branch was formed for the three Districts of West Khandesh, East Khandesh and Nasik in October 1924.

The idea of District Branches was not favoured at that time but further decentralisation was attempted by encouraging the formation of Taluka Branches. Co-ordination of the work of these smaller branches was proposed to be brought about by establishing a Council at each District centre. Rules were framed and published in the fourth year for regulating the work of the Branches and District Councils. Two Taluka Branches were formed in the fourth year and 16 more in the fifth year, some of them being called Taluka Development Committees. It was, however, found in the same year that the Konkan Divisional Branch was unable

to do any work on account of the inaccessibility of its different parts from the centre or from one another. District Branches were therefore started for the three Districts in the Konkan, and rules were framed for their guidance. Later on some districts in other Divisions evinced a desire to start similar Branches, and they had to be encouraged to do so. Another event happened at this time which strengthened the case of the District Branches. Taluka Agricultural Associations began to be formed from 1923. An annual grant to the extent of Rs. 1,000/- was offered by Government to each Association in proportion to the amount locally raised. This offer was availed of by leaders in several Taluka towns, and if a Taluka Branch of the Institute already existed at the place its work occupied a secondary place. The Institute, therefore, began to encourage the formation of District Branches wherever there was a call for them. In the constitution of 1926, Taluka Branches find no place and prominence has been given to District Branches. Even a Divisional Branch may be abolished if a majority of the District Branches in that Division resolve to discontinue it. District Branches have since been formed for every District in the Presidency proper except in Dharwar while in Sind only one such branch has yet been formed for Karachi.

V. Two Proposed Schemes

Proposed Co-operative Board :— It is necessary to notice at this stage two events which happened respectively in the second and the third year of the Institute. We will mention the latter event first as it requires a brief notice. In the Provincial Conference held in September 1920 a proposal was placed for consideration to the effect that a Co-operative Board should be formed to work with the Registrar, composed of the representatives of the Institute, the Provincial Bank and other co-operative interests to advise the Registrar on matters of policy and finance; but the recommendations of the Board were to be advisory and not mandatory. As many as five notes were placed before the Committee supporting the idea, and one against it, on the ground that the proposed function belonged to the Institute. The Conference, however, resolved after some discussion that the consideration of the proposal be postponed till the next Conference. At the Conference of 1921 only one note was submitted, and that too was against the scheme which was therefore dropped.

Proposed Divisional Federations :— The other scheme was for the formation of Divisional Federations which came for consideration at the Provincial Conference held in September 1919. A Federation was proposed to be formed for each of the six Divisions of the Presidency, viz., 1. Karnatak, 2. Maharashtra, 3. Konkan, 4. Gujarat, 5. Sind, and 6. the City of Bombay, all of which were later on covered by the Divisional Branches of the Institute specified above. The following were the functions proposed to be assigned to each of them.

- (1) To organise a regular and effective system of primary audit carried by auditors paid and controlled by it.
- (2) To assist, develop and expand the Co-operative Movement by undertaking all sorts of propagandist activity, e.g. vernacular journals, conferences, exhibitions, training classes, lantern lectures etc.
- (3) To arrange through its Council Members or paid auditors or affiliated unions for the federal inspection, training and supervision of new, weak or illiterate societies.
- (4) To create and organise the service of co-operative Supervisors, Secretaries and Auditors with definite rules of promotion etc. who would also be eligible for transfer to the staff of Central Banks or Unions. And in this connection to create a Provident Fund for all non-official co-operative employees.

Two courses were suggested ; the federations might either undertake functions (2) and (4) only or all the four. If the Conference decided that the federations should gradually undertake to bear the cost of audit, the latter should be adopted ; otherwise they must rest content with the former only. As to finance, it was suggested that if the federations undertook all the functions, their funds would be derived from (a) the audit fees levied from societies, (b) grants from Government, (c) contributions to the Provident Fund and (d) grants from the Institute. As to control it was suggested that in the exercise of function (1) the federations should work under the control of the Registrar, who is ultimately responsible for the efficiency of the audit under the Act. As to function (2) the federations would act mainly as the local agent of the Institute ; and as to functions (3) and (4) it should be independent and self-contained.

In the course of discussion at the Conference, though the scheme received support from some, it was on the other hand pointed by others that it went counter to the Institute. Ultimately, a repre-

sentative Committee was appointed to consider the subject and to submit a report. This Committee by a majority reported against the scheme and the idea was thereupon dropped.

Scheme of Federations examined:—Though the proposal has been shelved the questions involved in it are of a far-reaching importance, and, with a view to clarify our views regarding the duties which the Institute has now undertaken, or may hereafter be called to undertake on the analogy of the work undertaken by some of the sister Federations or Unions in other Provinces, it is necessary to examine in some detail the items of work involved in the scheme. Briefly stated, the scheme contained the following proposals, viz. that an organisation under the name of a Federation in each division was to take over : (1) the work of audit, (2) of inspection and supervision, (3) of propaganda and education, and (4) that the Federation should create a non-official paid service. As regards item (4) there can be no two opinions. The need of creating a paid service must be recognised by every one whether one or two or all the three functions are undertaken. The important question on which opinion would be divided is, whether all or which of the three duties should be undertaken by a non-official body, be it the Institute or a Federation. In order to arrive at a conclusion we will have to examine in some detail, the scope and the object of the different functions. At the outset it must be recognised that in the ensuing discussion of the proposed scheme we are looking at it from the point of view of the present conditions and at a time when the grouping of three functions in the same body may be deemed unsuitable. For we have now¹ a large number of well developed Central Banks for almost all Districts, and where they do not exist the Provincial Bank has been functioning through its local Branches. These Banks and Branches have been now doing the work of inspection through their trained inspectors. We have also more than a hundred unions doing the work of supervision over their affiliated societies. We have also the Co-operative Institute with its ten years' work of education and propaganda which must count for something. On the other hand at the time when the scheme under discussion was brought forward, the Central

¹ At the date of the proposed scheme there were only 11 District Central Banks and only two Branches of the Provincial Bank. At present there are 21 District Central Banks, and the Provincial Bank has also 21 Branches functioning at places where the Centrals do not function. Several Centrals have also established branches of their own within their District area.

Banks were very few in number, their resources were small, and the Provincial Bank was functioning mostly through its Bombay Office. The responsibility of inspection was not fully realised by the Banks. The Institute on the other hand had hardly put in a year's existence. The scheme therefore being brought forward ten years ago had many points in its favour though it was questionable even then whether audit should have been proposed to be assigned to the Federations. The proposal was defeated solely on the ground that the creation of independent Federations might hamper the work of the Institute. We have therefore to go into its details and examine their merits to find out which of the functions the Institute would be justified in taking up now or hereafter.

Audit :— Audit is nowhere defined in precise terms. Section 17 (2) of Act II of 1912 states that "Audit shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the Society". The corresponding Sec. 22 (2) of the Bombay Act VII of 1925 adds the words "the verification of cash balance and securities". According to Diksee on Auditing "an audit is the examination of the accounts of a business and certifying of their accuracy". The author says that in order to find out the correctness of the accounts the Auditor is not merely to content himself that the balance sheet is in accordance with the books but must see that the books are properly written and that the balance sheet is properly drawn ; he must examine the vouchers and see that they are checked and certified and compare them with cash book and the Bank pass-book ; he must also see whether the accounts are punctually posted and balanced and must ascertain the correctness of cash balances, and trace every transaction to its first source. Under the Indian Act the Auditor must further ascertain that the assets and liabilities are properly valued, and we may add that he must see that payments are authorised and that balances are properly invested or accounted for.

Inspection :— Inspection is closely related to audit. Audit is intended to ascertain the exact financial position of a society, while the object of inspection is to find out that the work of the society is efficiently and properly carried out. For instance, in the case of a credit society the inspector must see that the credit of every borrower is properly assessed, that loans are covered by sufficient assets, that no undue preference is given to any of the borrowers, that instalments are properly fixed, that receipts and payments are properly forecasted, that timely recoveries are made and that the

creditors and depositors are timely paid. Audit is held only once a year but inspection must be held oftener. An auditor need not go beyond books and papers, while an inspector has to examine not merely these, but has also to examine the members. Audit is done on behalf of the Registrar while inspection must be resorted to by the Financing Banks to safeguard their interest. In the earlier stages of the movement, when very few Financing District Banks existed, and when those that existed were not in a position to entertain an efficient inspecting staff, the auditor was required to do a large part of the work of inspection during his visit for audit, and he still continues to do it where inspection is weak or does not exist. It is therefore natural that the Committee on Co-operation in its report published in 1915 should assign the work of inspection (see para 92 on page 56) to the Auditor, calling it as an additional enquiry to be done by him (see para 162 on page 93). For the same reason the Registrar's Leaflet X, which forms Chapter XXV in Mr. Ewbank's Manual for Co-operative Societies (Second edition of 1919) is styled Inspection and Audit, making inspection a part of the work of Audit. It is however now well recognised that inspection is the function of the Financing Banks, and is provided for in their very by-laws.

Supervision :— Supervision stands on a different footing. It is a continuous work, unlike that of inspection which is periodical, be it twice in a year or oftener. In addition to the work of an Inspector, a Supervisor has to see that the officers of a Society have a knowledge of their work, that the provisions of the Act, rules and by-laws are complied with, that meetings are held in time, that their business is transacted with a quorum, that the books are properly written and from time to time and that papers are properly filed. A supervisor's work is more onerous than that of an inspector, for he has not merely to inspect but also to rectify mistakes and also to prevent them from recurring and occurring. He has to advise, guide and teach and has therefore to remain in close touch with the Society.

The three functions distinguished :— The Auditor more or less does his work like a C. I. D. Officer and the inspector, like a police officer ; while the supervisor is like a pastor or minister identifying himself with the societies under his charge. By his constant watch and guidance the burden of the work of both the auditor and inspector is considerably lessened, enabling them to do their duty for a larger number of societies. All the same, the three agencies are necessary and must do their duties efficiently for the proper

functioning of the movement. An efficient audit gauges the credit of the society, an efficient inspection safeguards the interests of creditors while an efficient supervision enhances and strengthens the credit of the society. An auditor is the watch-dog of the Registrar, an inspector is the watch-dog of the Financing Bank, while the Supervisor, as the deputy of the Institute, is the friend, philosopher and guide of the society.

The Committee on Co-operation describes supervision in the following words. "The work of 'supervision' covers many of the points which have already been included in audit, but in addition it implies the duty of instructing the members in co-operative principles and the propagation of the movement by the organisation of the new societies. Even where it covers the same ground as audit, it differs from it in that it aims not merely at testing the efficiency of a society but at helping it to be efficient and it comprehends the further task of seeing that the defects noted at audit have been remedied. The supervisor is concerned to see that the work of the society is not only businesslike and up to date but genuinely co-operative. While satisfying himself that the accounts are in good order and that business is being conducted regularly and prudently, he would refrain from verifying the figures in detail, and would set himself to test the knowledge of the Committee and the members, to advise them with regard to difficulties and disputes, to explain and remedy mistakes and to impress upon them the principles which societies should always have before them. These functions should in our opinion rightly devolve on the co-operative institutions themselves."

Propaganda and Education :— Propaganda and education go together. The work of a propagandist is to create faith in his creed, to enlist more votaries to that creed and to strengthen the faith of those who follow that creed. The work is the same whether that creed is political, religious or economic ; but here we are concerned with the co-operative creed which is essentially economic. The propagandist does his work by means of literature, pamphlets, journals ; by lectures, discussions and conferences ; and also by ocular demonstrations. Thus by appealing to the mind, ear and eye he seeks to create and sustain interest in his creed. The work of education is done by the teacher by inculcating the principles and practice, the methods of work, and the history and law of the creed. The teacher does his work for a stated period, be it short or long, the efficiency of his teaching being generally tested by an examination. The propagandist strengthens the work done by the

teacher, and the supervisor supplements it in the case of the flock under his care.

It follows from the above analysis that supervision, propaganda and education must be assigned to a single body, viz. the Institute, so that it may specialise and expand its work ; that inspection must be assigned to the Financing Bank ; and that audit must remain with the Registrar. To concentrate all the three functions in a single body would tend to jeopardise their efficiency. No doubt we are often prone to quote European models in support of the idea of concentration but we have to remember that the initiation and expansion of the co-operative movement in European countries was wholly the work of the people who had therefore themselves to devise, and take in their own hand, the measures for the exercise of the different functions under consideration. Moreover though the movement was started by a few educated public-spirited men at a time when illiteracy prevailed among the masses, its present strength is due to the establishment by the State of universal compulsory education among the masses, whereby educated men are available even among villagers to carry on all the work on behalf of the societies. The conditions in India are quite different. The prevailing deep illiteracy of the masses demand all the energies of the body entrusted with the work of propaganda and education even for the mere spread of the elementary principles of co-operation among the masses for whose benefit the movement was started. He would be a bold man who can prophesy a definite period within which compulsory universal education would take a firm hold of the masses in the villages. To assign the work of audit to the body which takes up the work of co-operative education would be to divide its energies with the result that neither could be expected to be done with any degree of efficiency.

Inadequacy of Funds :— And what about the funds? No doubt the scheme under consideration held out the promise of a subsidy from Government to supplement the funds raised from other sources. But we are aware of the policy which guides Government subsidies. Though at the commencement the grant made might be adequate, it fails to expand with the expansion of the work. With the extension of the movement all incidental work must necessarily expand and if funds fail to increase proportionately the work must become inefficient. Even the Registrar in almost every province, though he forms part and parcel of Government, has to complain about the inadequacy of funds for maintaining a sufficient staff to keep pace with the expansion and increase of work. A

private unofficial body must necessarily find it much more difficult to obtain sufficient subsidy at later stages. The safest course, therefore, is to leave the work of audit in the hands of the Registrar, who by statute is made responsible for it.

There is a greater need of following this course in the case of the Bombay Presidency, whatever be the policy in this respect followed in other Provinces. The rate of interest charged by Societies in our Province on loans advanced to members is Rs. 9-6-0, which is a little above half of that prevailing in most of the other parts of the country. The margin of profit between the borrowing and lending rate in the case of our societies is therefore very small. Over and above this a large part of the Province is in the grip of partial or recurring famines, where the societies stand in constant danger of losing not merely the interest but even the principal of the loan, with the result that there is always a cry from that area for remission of interest. Taking the Presidency as a whole, therefore, there is little scope for expansion of profits by increasing the rate of interest. With this narrow margin, societies find it difficult to pay for their own efficient management. Due to the prevailing illiteracy among the members of village societies, an outsider has to be appointed as a secretary, and he cannot be expected to do his work efficiently unless he is well paid for his services. In these circumstances the societies in most cases hardly find themselves in a position to pay their share of supervision and co-operative education. This fact accounts for the appeals made to Government and Financing Banks to bear a larger share of the expenditure for that work. It would therefore be most inexpedient, if not suicidal to saddle the societies with even a part of the cost of audit to be collected from profits or by a per capita levy.

In view of these facts, the step introduced some years back of levying the full cost of audit from Financing Banks and Urban Banks with a working capital of Rs. 50,000/- and above, seems to be inadvisable. Nevertheless it may be hoped that it may not be used as a thin end of the wedge for a similar levy in the case of village societies. Appeals are often made to co-operators to allow a similar levy being introduced in the case of these societies on the ground that it is unfair to make the general tax-payer bear the whole cost. But it may be asked in reply what burden the general tax-payer bears for village education, sanitation and health, though the villagers bear a large part of the cost of such amenities to be met with in towns. If then the general tax-payer has yet had no opportunity of paying for these amenities for the

simple reason that they do not exist in villages, would it be unfair to ask him to bear at least a small cost of the economic improvement in villages? On the other hand how unfair it would be to ask the village societies to bear the cost of audit at a time when they are being called upon to bear a share of the cost of supervision and co-operative education.

It should be plain from the above analysis of the situation that the three functions discussed above must be assigned to three different bodies, the work of audit and other statutory duties including registration, arbitration, cancellation and liquidation to the Registrar and his department, the work of finance and inspection to the Banks, and the work of propaganda and education and supervision to the Institute. Of course one body may assist the other in the work as far as possible, and as a matter of fact such mutual help already is being given and may be further encouraged, but the proper sphere of work of each body should be clearly understood and recognised.

Organisation :— There remains one more important branch of work, viz. that of organisation, which was not, however, included in the above scheme of Federation, perhaps because it was assigned to a body of workers known as Honorary Organisers already referred to. That system still continues to-day and we have to consider whether it may be continued in future on the same lines, or whether it requires any change. The Committee on Co-operation (para 29, page 19) lays down that the Registrar should register no society unless he is satisfied that the proposed members have really assimilated the principles of co-operation. Such assimilation can only be brought about by a continued effort. Again in para 31, page 20 the Committee says "In many provinces much of the preliminary work of teaching and organising societies is done by Honorary Organisers, and their labours are deserving of great praise. Care however should be taken that their efforts are systematic and not sporadic, and it is also important that the Honorary Organiser who forms a society should, where possible, retain control as a supervising and teaching agent after registration. There are in any case undoubted advantages in insisting that the agent, who forms a society, should afterwards be responsible for guiding it to success. In addition to oral training, good results have been obtained in some provinces by arranging for the members of new societies to visit older ones and see them at work, and by small and strictly local conferences." It is therefore for consideration whether the future work of organisation should be left to be done

as hitherto, or whether it should be assigned to paid officers specially trained for the purpose, as they would be in a better position to devote their full time and energy to the work. Mr. Campbell, the second Registrar of Co-operative Societies in Bombay, who was at the head of the Department from 1906, and who was largely responsible for the extension of the system, said in his Annual Report for 1908-09, "In time, Honorary Organisers whose travelling expenses come from Government and not from the people may cease, replaced by Co-operative Organisation itself". Mr. (now Sir) Lalubhai Samaldas had proposed at the Provincial Conference of 1919 that the Honorary Organisers should be transferred to the Institute; but the proposal was vetoed chiefly on the ground that it was premature. No doubt it was, for the Institute had then just put in a life of barely a year. But it would not be premature now to reconsider the position. Nobody belittles the co-operative work done by our Honorary Organisers. But they themselves, more than others, recognise that want of sufficient time on account of their professional work comes in the way of devoting as much time to co-operative work as it deserves and requires. It is a recognised fact that Honorary Organisers are selected on account of their local influence; but that influence having been built up by some professional work, it would be more than human to expect them to devote a larger portion of their time and energy to co-operative work at the cost of their professional work. Though the system may be continued for some time, it would seem to be necessary to lay down a certain policy for future guidance. The present number of Organisers should not be increased and no vacancies should be filled up by fresh appointments. Secondly, the number should be gradually supplanted by paid organisers. Thirdly, where a Supervising Union exists the organisation of a new society within its area of operation should be left to that Union. This principle has now been recognised by the Department. Fourthly, the work of organisation in areas not covered by a Union should be entrusted to a paid organiser and be supplemented by the assistance of the local Honorary Organisers, until the former builds up an influence of his own and can be trusted to act independently in course of time. Fifthly, when a number of societies are formed in the new area they should be grouped under a new Union with the paid officer as its Supervisor. By this process, every society will be assured of proper guidance both before and after its start, making it possible at the same time to gradually eliminate the present system of Honorary Organisers. It may

however be pointed out that organisation, being closely connected with supervision, will have also to be placed under the Institute with the necessary funds to cover the cost of paid Organisers.

It may be noted that the above proposals are borne out by the Report of the Royal Commission on Agriculture, which forms the latest pronouncement on the subject only with this difference that the Commission recommends the paid organising staff to be under the Registrar, while we plead for its being placed under the Institute. Says the Report on page 451, "In all Provinces, there are a number of public spirited men who give valuable time to the promotion of co-operation. Many have made themselves almost indispensable and many more would be difficult to replace. It is impossible to estimate the services of these workers too highly. At the same time, it must be recognised that honorary workers cannot be expected to exercise that regular supervision which is essential to the success of the Co-operative Movement. They are frequently professional men with urgent calls on their time and with other duties, both public and private, which demand attention. They are not, therefore, in a position to devote their whole time to co-operative work as are officials". In the same way and for the same reasons, honorary workers, who undertake the work of education, suffer from difficulties from which it is not always easy to escape. This is work for which special training is required, but honorary workers cannot spare time for this training to the extent that is possible to the official. "The Honorary worker will always find ample scope for his energies and his public spirit, and we cannot but think that those who are most keenly interested should be the first to welcome the strength given to the movement by a highly educated and well-trained staff of officials. We therefore strongly recommend that every effort should be made to build up such a staff in all Provinces. Its chief duty is to educate members up to the point at which they will be competent themselves to undertake its duties and so to dispense with its services; to strengthen the hands of the honorary workers by furnishing them with skilled advice and guidance in the more difficult problems; to supervise the work of unions and federations engaged in the management and control of the movement; and to work out new schemes to facilitate the work of other departments, to prepare the ground for their special propaganda and to organise the people to receive and adopt expert advice".

VI. Work of the Institute

General

Objects :— We may now turn to consider the work undertaken by the Institute. At the outset it may be pointed out that though the paper which formed the basis of the Institute emphasised the need of *social* as well as educational work, the Committee which framed the scheme defined the objects of the Institute in the following words, forming by-law 2 of the old constitution, excluding social work from its scope.

The objects of the Institute are to develop the co-operative movement in India by all means in its power, to serve as a centre for every sort of co-operative activity, to promote the study of all questions connected with co-operation and to ascertain and represent the views of co-operators on any questions of general or public importance affecting the movement.

Recognising the vagueness of the above definition, the prospectus published with the by-laws indicated the following activities :—(1) Co-operative Housing propaganda, (2) Co-operative Library, (3) Co-operative Journals, (4) Co-operative Training of Secretaries, (5) General Propaganda, (6) Organisation and Supervision of Societies among the mill-hands in the City of Bombay, (7) Study and advice on non-credit co-operation.

In another part of the prospectus the above work was summarised as follows :—Focusing every form of co-operative endeavour ; responsibility for all forms of co-operative propaganda, education, and enquiry ; and the representation of independent co-operative opinion on all questions affecting the movement. To express these ideas in still fewer and more clear words the work assigned to the Institute fell under the heads of :—(1) Education, (2) Propaganda, and (3) Voicing opinion on co-operative questions. Later on it was recognised that the Institute should also direct the work of supervision, and should also do social work. Consequently in the constitution of 1926 the following two more items of work were added : (4) To strengthen and improve co-operative societies by supervision, and (5) to bring about a moral and material improvement of members and societies.

Better Living :— Taking the objects in the reverse order, it may be mentioned that the last item, which is intended to cover the idea of "better living" has not taken a definite shape. Some grant is made by the Institute to the work of rural reconstruction

carried on by some members of the Institute as an experiment in the villages of Palasa where a paid full-time worker has been appointed about the middle of 1927.

Supervision :— In the prospectus of the Institute published in 1918 it was specifically stated that the work of supervision was not to be assigned to the Institute but to the local unions. But later on it was recognised as already stated, that the Institute should interest itself directly in the work of supervising unions and accordingly the objects were amended in 1926. The Institute's work in this respect is at present confined to giving encouragement to starting supervising unions wherever necessary. A leaflet was issued by the Institute to all its branches advising them to take active interest in the work. With a view to affording guidance and advice a Board is formed in each District, consisting of three members; a representative of the local District Branch of the Institute, that of the local Financing Bank and the Assistant Registrar of the Division. The union system in this province did not spread rapidly enough on account of the initial uncertainty of the constitution of the Union. At an earlier stage the system of Guaranteeing Unions prevalent in Burma was favoured by the Department, and several unions of that type were started. But later on the system of supervising unions was preferred and all unions formed thereafter are of this type, and even those of the older type are being converted into the new model. The main difficulty in the way of the rapid spread of the union system is of obtaining competent persons well versed in co-operative principles and practice to take up the duties of union supervisors. The Institute is therefore doing its best to supply this want by organising classes for training persons to occupy such offices. The details of these classes will be noticed separately.

District Federations :— Since the revision of its constitution in 1926, the Institute has been aiming towards the ideal of bringing all the rural societies under the union system with the ulterior object of forming District Federations in place of the present District Branches. Societies like Urban Banks which cannot be brought under a union will then come under the District Federation, and the Institute itself will become a Central Federation in place of the present unitary body. District Federations are quite essential in the interest of the smaller unions themselves. The efficiency of the latter bodies can only be ensured by the constant and vigilant supervision exercised by the District Federations, and by the institution of a regular cadre of supervising officers for en-

surging their future prospects. Such federations will also afford stimulus to non-credit co-operative activities, such as purchase, sale and agricultural improvements, subsidiary occupations, and might at a later stage take in hand steps for the promotion of mass education. The Federations will thus be a source of great strength to the movement.

Organisation :— The work of organisation though not specifically mentioned in the Institute's objects of 1918, that relating to the City of Bombay was assigned to it, in view of the fact that no Honorary Organisers were appointed for that place at that time. The work was taken over by the City Branch of the Institute. Later on Honorary Organisers began to be appointed for the city from 1922. In the mofussil the Branches of the Institute are interesting themselves in the work of organisation, chiefly of societies of non-credit type, the organisation of credit societies being done by the Honorary Organisers. In course of time the work of these officers may be expected to devolve solely upon the Unions, thereby becoming a part of the work of the Institute.

Co-operative Housing :— The work of organising Co-operative Housing Societies was, however, done by the non-official agency, known as the Bombay Co-operative Housing Association started in Bombay in 1913. The association started at first an intensive propaganda by public lectures, discussion, and advice. It also got together a decent library and issued a number of leaflets and framed a set of model by-laws which were approved and adopted by the Registrar. The work of the Association was taken over by the Institute from April 1919. By that time nine societies were registered and two of them had built houses. For the first three years, it was placed in charge of a special committee of the Institute, which carried it on the lines adopted by the Association. Later on, it was found necessary to devote more attention to the solution of difficulties of the societies already formed than to the work of forming new ones. Meetings of the representatives of the societies were convened from time to time to ascertain their difficulties and to take measures for their removal by making representations to Government and local bodies. These problems were also discussed at the Provincial Conferences and with the authorities. Ultimately Government granted a slight concession by way of reduction of interest in the case of societies most affected. The future development of the Co-operative Housing Movement in the City is beset with difficulties which can be largely overcome by making cheap capital available, a point which Government do

not seem to favour. Meanwhile, the movement is making slow but steady progress in the mofussil towns.

Economic Enquiries :— The work of inquiry was not specifically mentioned in the objects of the Institute, but may be considered to be included by implication. Several economic enquiries were conducted¹ by the Institute and its Branches, and reports on most of them were published. It was found that some of them were not conducted on scientific lines, and the appointment of a Central Board of Economic Enquiry was at one time contemplated. But the idea has been postponed for the present, chiefly for want of funds. Some of the Branches however, are carrying on, what may be called, co-operative enquiries, to find out the result of the introduction of the credit co-operation in selected villages.

Advice and Guidance :— Numerous questions of principle and practice as also co-operative ventures on new lines are being referred to the Institute from time to time and answered.² The Registrar has also established the practice of referring to the Institute questions of new policy or new lines of action. The introduction of new by-laws or changes in the existing ones are invariably referred in the first instance to the Institute. The most intricate and delicate questions the Institute is at times called upon to interfere are those arising out of the differences between the Department and some of the societies, but happily they are generally amicably settled in meetings of the representatives of both the parties concerned.

¹ The following are the economic enquiries conducted :— (1) Konkan Economic Enquiry, (2) Economic Survey of a Konkan Village of Rotha Khurd, District Kolaba, (3) Economic Enquiry in the Pardi Taluka, District Surat, (4) in Newasa Taluka, District Ahmednagar, (5) in Negdi, District Dharwar. (6) The Institute had also made enquiries in a group of 5 villages in each of the four linguistic Divisions of the Presidency for placing the results before the Royal Commission on Agriculture.

² The following are the instances. 1. Wholesale Society for Purchase and Sale; 2. Co-operative Sale of Agricultural Produce. 3. A Sugar Factory; 4. Show Room for Weavers and Co-operative Producers; 5. Co-operative Printing Press; 6. Co-ordination of Agricultural and Co-operative Departments; 7. Appropriation of Penal Interest for distribution of profits; 8. Buying Clubs and School Boys' Stores; 9. Execution of Awards through District Banks; 10. Question of devoting higher portion of profits to charities; 11. Promotion of thrift and providence among the factory workers; 12. Consolidation of Agricultural Holdings; 13. Rural Reconstruction; 14. Federation of Urban Banks; 15. Co-operative Scheme for the Sukkur Barrage Area; 16. Promotion of Co-operation among women; 17. Co-operative Insurance Society.

Legal Advice :— The most important work in the matter of advice performed by the Institute is the facility afforded to the Societies for obtaining legal advice on any points of law. A Committee of Legal Advice consisting of senior practitioners of Law in the High Court is appointed, which gives free advice on legal questions referred by societies through the Institute. The Registrar has often taken advantage of this facility.

Voicing Public Opinion :— Coming back to the objects specifically referred, voicing non-official opinion on questions affecting the movement is done after discussing them in the meetings of the Committee and of the Council of the Institute and also in Conferences. The Branches are also consulted when sufficient time is available. The most important subject which occupied the attention of the Institute was the Bill for enacting a separate Co-operative Societies' Act for the Bombay Presidency, which was discussed by the Committee at several sittings and also in the Provincial Conference where definite suggestions were made which were mostly accepted.

Conferences

Conferences do the work of propaganda, deliberation, and also of expressing opinion on current co-operative problems. Both official and non-official workers take part in them. Outsiders are also invited with a view to enlist wider sympathy for the movement.

Classes of Conferences :— Conferences are organised by the Institute at various centres. They may be classed as Local, Special and Provincial. The local conferences may be Taluka, District and Divisional. Various aspects of the Co-operative Movement are discussed at these and they serve more or less the purpose of advertising the movement. Special Conferences are also held for discussing problems relating to specific branches of the movement, such as Urban Banking, Stores, Co-operative Housing and so forth. The Provincial Conference is considered to be the most important, as its resolutions weigh with the Department, being passed by the representatives of the whole Province. The local Conferences are conducted in the vernacular of the place where they are held, special Conferences are conducted in vernacular if held in the mofussil and in English if held in Bombay, while the Provincial Conferences are conducted in English. Local Conferences at the earlier stages of the movement were conducted by the Department, but later on they began to be conducted by

local co-operators, under the auspices of the Institute. The Provincial Conference was originally organised by the Registrar but the Institute has taken over this function too as a part of its propaganda work.

The Provincial Co-operative Conference :— At the Conference held in September 1919 Mr. N. M. Joshi placed a paper suggesting that the work of the Conference might be handed over to the Institute and it was resolved that a definite scheme of representation should be framed for consideration. The Institute then framed a scheme giving representation to the various co-operative interests, the Department, the Provincial Bank, and the Branches of the Institute, with rules for the election of delegates and placed it at the Conference held in September 1920 which approved it. From 1921 onwards the Provincial Conference is being convened by the Institute through a Committee known as the Conference Committee, which also gives directions as to the action to be taken on the resolutions of the Conference. Under the new constitution of the Institute of 1926 a definite scheme of representation having been framed to constitute the Provincial Co-operative Council, it was considered inadvisable to have a different scheme of representation for the Provincial Conference. Consequently the General Meeting of the Institute held in August 1928 resolved that the Council itself should form the representative body of the Conference, with the addition of 10 more representatives of the Institute and 10 more of the Registrar.

Cost of the Conference :— When the Conference was being held by the Registrar, its whole cost amounting to about Rs. 7,000/- was borne by Government, including the travelling allowance of the delegates and their daily allowance during the session of the Conference. After the transfer of the work to the Institute, the expenses incurred by the delegates elected by the various constituencies are being borne by the latter, the Institute paying them only in the case of those who were its own representatives. These charges together with those of printing the papers and proceedings of the conference were estimated at Rs. 5,000 of which Government have agreed to pay Rs. 4,000, the rest being borne by the Institute. As a matter of fact, it is found that the cost borne by the constituencies comes to nearly Rs. 3,000, and that borne by the Institute exceeds Rs. 5,000, so that the total cost of the conference exceeds Rs. 8,000. In view of this heavy expenditure it is proposed to hold the Conference every second year instead of every year the Government contribution set apart therefor in the

year when the Conference is not held being diverted to some useful activity of the Institute. The first break having occurred in the year 1927 the Government contribution of Rs. 4,000 together with the Institute's contribution of Rs. 1,000 was set apart for the publication of co-operative literature.

The Institute has been arranging some secondary activities during the session of the Conference, such as demonstrations, exhibitions, visits, trips, mass meetings and conferences of ladies. Special meetings for the discussion of outstanding questions with the Branches are also held during the session with the representatives of the Branches.

Conference of Banks :— From 1922 a Conference of the representatives of all District Central Banks and of the Bombay Provincial Bank began to be held on the day previous to or after the session of the Provincial Conference, and its resolutions are being printed as an appendix to the Report of the Provincial Conference. This function has led to the inception of a larger step, viz., the Conference of all the Provincial Banks in the country, the first being held in January 1926 and the next in September 1928.

Subjects, President and Procedure :— The subjects for consideration at the Conference were formerly selected by the Registrar, but after the work was taken over by the Institute, they are being invited from all sources, the Branches, the Banks, the Department and individuals. After making a selection from the suggestions received, papers used to be invited from all those who cared to write on them. It was found later that both the subjects and papers were too many to receive sufficient and detailed consideration. Consequently from 1924, a smaller number of subjects not exceeding 10 is selected and papers are invited only from those who have made a study of the respective subjects. Following the previous precedent, the Governor of the Presidency was being invited to deliver the Inaugural Address and the senior member of the Executive Council to preside over the deliberations. Since 1925, some distinguished co-operator from another province is being invited to preside, though the Governor continues to be invited to inaugurate the Conference, but in case of his inability the Minister in charge of Co-operation is invited to do so. Since the same year the Registrars and the representatives of the Provincial Co-operative Unions of other Provinces and Indian States are being invited to attend the Conference, and a fairly good response is received. The procedure followed in the Conference is as follows :—On the first day after the inaugural address and

the President's address, sub-committees are appointed and the subjects requiring detailed consideration are assigned to them to frame resolutions¹ on them after considering the notes and papers on them. No subjects-committee is appointed as is done in other provinces, as this function is assigned to the Conference Committee which selects the subjects long before the session of the Conference. The reports of Sub-Committees are considered on the second day and if necessary on the third day. Guests are at liberty to take part in the deliberations but not to vote. The sessions are held alternately at Poona and Bombay, but that of 1925 was held at Dharwar at the request of the Co-operators of the Karnatak Division.

All-India Co-operative Conference :— An attempt was made by the Institute to bring about an inter-provincial Conference of the representatives of the non-official Co-operative Central Organisations in all the Provinces and States in the country. In 1922 a letter was addressed to all the central bodies in India, and though the replies were generally favourable, the question of funds was urged as a difficulty. The subject was again taken up in 1925 in view of the approaching Conference of the Registrars in the following year. The Provincial Conference of 1925 having approved of the idea, the proposal was placed before a meeting of the representatives of the different Provinces and States in January 1926 taking advantage of the Conference of the Registrars and that of the Provincial Banks which met that month in Bombay.

A committee was appointed by the meeting, and correspondence was carried on with the co-operative institutions and the Registrars of the different Provinces and States. Though the replies were generally encouraging, they afforded no common basis for further action. The question was, therefore, put off to be taken up on a convenient occasion. Taking advantage of a similar opportunity of the Conference of the Registrars and that of the Provincial Banks which met at Simla in September 1928, the President of the Madras Provincial Co-operative Union brought about another conference of such of the representatives of the provincial organisations as met at Simla on that occasion. This conference also appointed a committee to frame a constitution and

¹ A book is recently published by the Institute containing resolutions of all the Provincial Conferences held in the Presidency with notes of action taken thereon together with a list of the papers placed before the Conferences and an index to the subjects. It is hoped that the publication will be found to be a useful book of reference.

obtain the approval and support of the bodies concerned. This committee's report and draft constitution were considered at an adjourned session of the Simla Conference held at Bombay on 14th and 15th September 1929 and an All-India Co-operative Institutes' Association was established from 1st October 1929 with the veteran Bombay co-operator Sir Lalubhai Samaldas as President and Prof. H. L. Kaji, the Vice-President of the Bombay Provincial Co-operative Institute as Honorary Secretary. It is an Institutes' Association and proposes to publish a co-operators' Year Book and an All-India Co-operative Journal.

International Relations :— The Institute has also stretched its hand of friendship towards the countries which gave birth to the Co-operative Movement. It has enlisted itself as a member of the International Co-operative Alliance since 1924. It participated in the International Exhibition of Co-operation held in Ghent in July of that year by sending a large consignment of goods of the Weavers' and Producers' Societies, chiefly consisting of silverware, cloth, hosiery, leathergoods, and lacquered-ware of the total value of about Rs. 5,000, and also a number of charts showing the progress of the movement and photographs of housing societies. The Exhibition Committee of Ghent granted a diploma to the Institute in commemoration of its having participated in the event. The Institute also deputed two members to represent it at the International Co-operative Congress held in September of that year. In 1928 at the invitation of the International Co-operative Alliance, the Institute deputed one of its members, Principal M. L. Tannan, then in England to deliver a lecture on the Co-operative Movement in India at the Summer School held at Hamburg.

Propaganda

The propaganda work of the Institute is carried on by the following methods : (i) Celebration of the Co-operators' Day, (ii) Lectures, (iii) Magic Lantern Shows, (iv) Dramas, Poems and Maxims, (v) Library and Reading Room, (vi) Journals and (vii) Co-operative Literature consisting of leaflets and books. These have also an educative value, but the work of education is carried on through classes and schools and will be dealt with separately.

International Co-operators' Day :— One important means of keeping alive International relations before the local co-operators is the celebration of the International Co-operators' Day. It

began to be celebrated in Europe from 1923 on the first Saturday of July every year. From 1924, the Institute has been celebrating the event throughout the Presidency and every year it is marked with increased enthusiasm and is accompanied by speeches, dialogues, lantern shows, socials, processions, gatherings, and in some places by co-operative dramas at night. From 1925 other provinces have followed suit. From this year the Day will be celebrated as the All-India Co-operators' Day on the first Saturday in November.

Lectures on various co-operative topics are being organised from time to time at different centres, the most suitable opportunities for them being the Co-operators' Day, already referred to, annual meetings of the Branches and societies, or the visits of some leading co-operators.

Magic Lantern Shows have always proved very attractive. Lanterns are owned by most of the Branches. Four sets of slides¹ are prepared by the Institute with a key lecture for each and are supplied to all the Branches. They are also in much demand in other Provinces, some of whom have copied these with slight modifications to suit local conditions.

Dramas, Poems and Maxims :— Two dramas² are published by the Institute, one in Kanarese and the other in Marathi and are occasionally staged. A third drama is also written in Kanarese and though not yet published, it was staged on several occasions. A number of short poems and songs in vernacular are written and are recited on special occasions, like Conferences, and Co-operators' Day. They are published from time to time in vernacular co-operative journals.³ A large number of co-operative maxims were collected, translated in the three vernacular languages for the Co-operative Section of the Agricultural Show held at Poona in 1926.

The Library and the Reading Room :— The Institute possesses a well-equipped Library and a Reading Room. A catalogue of the books, reports and other literature with an index has been recently published. The Branches are also building up Libraries of their

¹ The following are four sets of lantern slides prepared by the Institute: (i) Co-operative Credit—31 slides, (ii) Co-operative stores—46 slides, (iii) Thrift—100 slides and (iv) Health and Hygiene.

² One of the dramas published by the Institute is the Pat Pedhi Natak by Munshi Mahomed Ismail.

³ A booklet containing a number of Marathi Poems is published by Mr. D. N. Patwardhan.

own. The possession of the Library enables the Institute to act as an Information Bureau on questions referred to it by the workers in the Presidency and even outside.

Co-operative Journals:— Journals form one of the important items of work done by the Institute, and they are at present the only means of keeping the distant societies and its workers in touch with the centres of work and for disseminating knowledge and information regarding co-operative work and events. They are issued in English and the four vernaculars of the Presidency and are as follows :—(1) *The Bombay Co-operative Quarterly* discusses co-operative problems, reviews co-operative literature and the annual administration reports of all the Registrars of the various Provinces and States in the Country. It has a large circulation in India and abroad. The first issue was published in June 1917, being started by the committee of the Central Co-operative Library of Bombay and was taken over by the Institute soon after it commenced work. From the commencement it is being edited by Mr. V. L. Mehta. *The Bombay Co-operative News* was started in 1924 under the Editorship of Prof. H. L. Kaji as a monthly English Journal of News, the first issue being published in April of that year. Its publication had to be stopped from April 1927 for want of funds. (2) *The Karnatak Sahakari Mitra* is a monthly journal in Kanarese, the first issue being published in April 1919. A monthly journal under the name *Kanada Sahakari* was started in 1918 for the benefit of the Kanarese speaking co-operators in the Presidencies of Bombay and Madras by a committee of four, two being selected from each Presidency. But the Bombay co-operators being desirous of having an independent journal of their own, started the above journal from 1919. The older journal still continues to be published by the Madras co-operators in South Kanara. (3) *The Sahakari Mitra* is a monthly journal in Marathi, the first issue being sent out in August 1919. The Institute had at first arranged with the Marathi Agricultural Journal published in Poona under the name *Shetki and Shetkari* to set apart 12 of its pages for co-operative news to be contributed by the Institute, but after a year co-operators in Maharashtra having expressed a desire of having an independent journal the *Sahakari Mitra* was brought into existence in 1919. (4) *The Sahakar Patrika* is a monthly journal in Gujarati, the first issue being published in September 1920. (5) *The Sind Co-operator* is a monthly journal in Sindhi the first issue being published in January 1919. The issue of journals in the four vernaculars is necessitated by the exist-

ence of as many recognised languages in the Presidency. The English Journal is also a necessity as a common link between all the parts of the Presidency and the sister provinces. It also helps the free exchange of journals published in the country and abroad.

Co-operative Literature :— The only literature published in this Presidency consisted for a long time of the leaflets issued by the Registrar dealing with different kinds of societies, and instructions on management, liquidation and arbitration. These leaflets were issued in a collective form as *A Manual for Co-operative Societies in the Bombay Presidency* in 1914 (pages 216), and were revised and republished under the same name in 1919 (pages 422), popularly known as Ewbank's Manual. In 1920 Mr. Ewbank published another important book known as *Indian Co-operative Studies* (pages 266), containing thirteen studies contributed by as many writers hailing from different provinces, with an introduction written by Mr. Henry Wolff. These books formed undoubtedly a welcome addition to the existing English literature, but the need of co-operators who could only read the vernacular was not satisfied. The Institute had issued as many as 26 leaflets and many of them were translated, but they were mainly intended for the guidance of the Branches and the workers in the movement. The vernacular journals of the Institute on the other hand afforded some useful reading matter, but no books were published such as would help the students attending the vernacular Co-operative Classes. The Institute had taken up the question several times, but each time action had to be deferred for want of funds. Meanwhile the Branches who were entrusted with the task of the conduct of the vernacular training classes, took up the matter in earnest and some of them began to publish vernacular co-operative literature. Under the new constitution of 1926 a Board of Co-operative Education having been formed, this body took up the question seriously and has begun the publication of co-operative literature. One book is already published, being a *Primer on Co-operation* written in English by Prof. H. L. Kaji ; it has been translated into Gujarati, Marathi and Kanarese, Tamil Telugu and Malayalam and it is being translated in Hindi. The first book in Co-operation and several other primers are also under preparation.

Propaganda :— The measure, recently adopted in the Punjab of equipping a demonstration train with suitable appliances and materials together with demonstrators and lecturers for carrying on propaganda in different kinds of uplift work like agriculture, co-

operation, health and sanitation in villages adjacent to Railway stations, has succeeded in drawing enthusiastic crowds from rural areas. The G. I. P. Railway Company has also been doing similar work, but has confined it to agriculture only, and it may be hoped that it will see its way to extend it to other directions as in the Punjab. In European countries the cinema and the gramophone occupy an important place in several kinds of propaganda work, including co-operation. More recently the wireless seems to outbid all other agencies in that kind of work, as it helps a speaker on any subject to broadcast his speeches to several centres simultaneously. As regards our country, co-operative subjects have not yet been filmed, excepting in one or two solitary instances. The main difficulty is to find the large funds necessary for the enterprise, and can perhaps be overcome if different provinces could join hands. A beginning has been made by the Institute in getting prepared a film of the Provincial Co-operative Conference of 1929. The wireless on the other hand could be sooner made use of for co-operative purposes if several kindred interests in the same province were to make a concerted effort, like co-operation, agriculture, education, health, sanitation, child-welfare etc. A beginning however has been made when the Indian Broadcasting Company at Bombay invited Prof. H. L. Kaji the Vice-President to deliver seven talks on Co-operation from their Studio in 1927 and broadcasted a message by him on the Co-operators' Day in 1929.

Propaganda Officers :— With a view to help the work of propaganda and supervision on extensive lines it was considered desirable to appoint paid officers, and to try the experiment at four centres. In view of the financial weakness of the Institute the Registrar's proposal that Government should pay half the cost of the four officers, the other half being borne by the Institute was accepted, and the scheme was brought into effect in the latter half of 1924. These four officers were appointed by the Registrar in consultation with the Institute and placed at four centres, viz. Surat, Bijapur, Poona and Bombay. They worked under the joint guidance of local branches of the Institute and the Assistant Registrar of the Division, and did the work of helping the training classes, Conferences, and the formation of Supervising Unions on behalf of the Institute, and that of arbitration and recovery of overdues on behalf of the Department. After two years' trial, work under the dual control was felt to be unsatisfactory, and the Institute considered it expedient to appoint officers under its sole control. By effecting some economy by curtailing the staff of the Head Office,

the Executive Committee proposed the appointment of seven Propaganda Officers for as many divisions including Bombay and a Central Officer to supervise and examine the work of the Divisional Officers under the direction of the Honorary Secretary of the Institute. The scheme did not work satisfactorily, firstly, because one officer in a division could not satisfy the demands of the several District Branches under it, and secondly, because it was found difficult to find competent men possessing knowledge of co-operative work to fill these places. Only five places were filled including the one at the Head Office. It is, however, hoped that the second difficulty could be overcome by the Co-operative Schools recently started at the three Divisional Centres in 1928 affording a wider scope for recruitment. To overcome the first difficulty the scheme has been modified by offering a grant to each District Branch towards the cost of appointment of an officer to work under it, and suggesting that the rest of the cost be met by the Branch in co-operation with the Financing Bank and the Local Board. The Officer is proposed to be named as District Educational and Supervising Officer, his work mainly to consist of arranging and conducting Training Classes under the new scheme and helping the formation of new Supervising Unions and raising the efficiency of the existing ones. If competent and energetic men be appointed under this scheme the District Branches would be much strengthened and the co-operative work in the districts would be greatly helped by the spread of education and by the establishment of a net work of Unions, thus bringing the scheme of District Federations much nearer the stage of accomplishment.

Education

The subject of education might be dealt with in a separate chapter. However the work done by the Institute under this head might be indicated here, though very briefly. It has been already stated that Co-operative Education was started in Bombay in 1914; that courses were held in the city by Mr. Devadhar with the help of his friends up to 1917 under the name of Co-operative Secretaries' Training Classes; and that the Provincial Conference of 1917 which appointed a committee to start the Institute also appointed another committee under the name of Co-operative Secretaries' Training Board. This Board practically in collaboration with the committee appointed for the formation of the Institute resolved that two courses, a junior lasting for a

week and a senior lasting for 10 days should thenceforth be organised that the classes for the former should be held in the mofussil, and that for the latter alone be held in Bombay. This scheme was brought into effect in 1918, and was continued by the Institute in 1919 and 1920 after it took over the work. From 1921 the work of holding both the junior and senior classes was entrusted to the Branches so that they might be held in all the vernaculars.

Meanwhile, the Institute began to develop other lines of co-operative education. From 1920 it began to hold in Bombay the Co-operative Training Class in English lasting for 12 days and attended by senior college students and in later years by officers deputed by District and Urban Banks, and by junior Honorary Organisers deputed by the Registrar. From the same year the Continuation or the Diploma Class in Co-operation began to be held for an intensive study of the subject, consisting of weekly lectures throughout the year. From 1921 additional lectures for Honorary Organisers and Officers of Banks began to be organised during the session of the Co-operative Training Class, and after its close another series of lectures was organised for the officers of Banks followed by a practical training lasting for two months.

The work of education in the Branches was also further developed. Besides the junior and senior classes for secretaries a short course lasting for a day or two known as the Elementary Co-operative Class, consisting of lectures without an examination began to be held from 1922, for the benefit of the Committee members and others of rural societies. But the most important line of development was the Supervisors' Class for three months consisting of both theoretical and practical work, which began to be organised from 1925.

Under the new constitution of the Institute a Central Board of Education was appointed in 1926 and this Board revised the whole scheme of co-operative education and in 1927 prescribed the following courses :—

- I. Elementary Course for members of Managing Committees and the Public for about 3 days.
- II. Rural Secretaries' Course for about 3 months.
- III. Urban Secretaries' Course for about 6 months.
- IV. Bank Inspectors' Course for about one year.
- V. Supervisors' Diploma Course for one year.
- VI. Co-operative Certificate Course for 15 days.
- VII. Co-operative Diploma Course for one year.
- VIII. Bank Officers' Diploma Course for 6 months.

Of these courses, Nos. I to V are to be conducted in the Districts in the vernaculars, and Nos. VI to VIII in Bombay in English. Three Co-operative Schools were started since the beginning of July 1928 at Poona, Surat and Dharwar respectively in the three vernaculars of the places, to be run for the full period of one year for courses II to V, and the Coronation Commercial College at Karachi was affiliated for the same course and serves Sind. The Institute has in view the establishment of such schools in as many districts as possible for at least courses Nos. I and II and if possible for No. III also, if there is a demand for it. As regards courses VI to VIII arrangements are proposed to be made in Bombay. There is a great demand for the extension of co-operative education, conducted on systematic lines and its fuller development must depend upon the supply of funds.

Adult Education :— As has already been stated the Provincial Conference of 1917 approved of the scheme of adult education through night classes proposed by the late Sir Vithaldas and entrusted the work to a Committee. The Committee appointed by the Conference commenced work from 1918 and conducted every year about 40 night schools with the funds provided by Sir Vithaldas, each of them being held for a period of two years in a selected backward village having a Co-operative Society. From April 1921 the work was transferred to the Institute and was conducted by it for $3\frac{1}{2}$ years up to the end of September 1924. After the death of Sir Vithaldas in August 1922, funds for the work were paid by his executors for two years. Thus the scheme which was in operation for a period of $6\frac{1}{2}$ years came to an end, and it is a matter for consideration whether the Institute should take it up in some modified form for facilitating the work of co-operative education and thus making way for the efficient conduct of rural societies.

VII. General Remarks

Institute's Building :—For carrying on efficiently the varied work of the Institute indicated in the previous pages, it will be conceded that a suitable habitation is a prime necessity. In the first year no rooms were engaged for the office of the Institute; the Honorary Secretary did the work either at his own residence or at his office, the meetings being convened in the rooms of the Bombay Central (now Provincial) Co-operative Bank. From 1919 a fairly big hall at 58, Meadows Street was engaged at a rent of Rs. 125/-

per mensem and a clerk was engaged. At the end of that year however, the owner of the hall having required it for his own use, the office was shifted in the third year to 12, Harkisandas Buildings on the Charni Road at Rs. 100/- per mensem. At the end of that year it was again shifted to rooms in Markers' Building in Khetwadi at Rs. 120/- per mensem. In the fourth year a large hall in the Sardar Building, Apollo Street adjoining the office of the Provincial Bank, was taken up at Rs. 140/- per mensem. The office remained there till it was removed to its own building now occupied.

From the beginning the idea of having a building of its own was placed before the Institute by the late Sir Vithaldas Thackersey. It took a tangible shape in 1921 when at his request the Registrar, Mr. Rothfeld applied to Government for a plot and obtained one at Bakehouse Lane, Fort, measuring 935 sq. yds. on a lease of 999 years at an annual ground rent of Rs. 15,600/- calculated at 6 per cent. on the valuation of Rs. 278 per sq. yard. In view of this high ground rent Sir Vithaldas insisted that one floor of the building should be taken on lease by Government for the Bombay offices of the Registrar at a rent equal to the ground rent. Government agreed to take up the floor at Rs. 15,000/- per annum for a period of 20 years. The building idea was thereafter pushed on. Sir Vithaldas had hoped to raise the cost of the building by donations, himself contributing a large share. But unfortunately he died on the 12th August 1922, only a week after the plans and estimates were approved. The scheme then took a new turn. At a public meeting held on 12th September 1922 it was resolved to raise a fund to commemorate the memory of the departed co-operator and to apply it for the erection of the building to be named after him. Meanwhile, the Provincial Bank having agreed to make an advance up to Rupees two lacs at 6 per cent., the building operations were taken in hand in 1923 and completed in August 1925, and on the 5th of that month its opening ceremony was performed by His Excellency Sir Leslie Wilson, Governor of Bombay. The building consists of the ground and three upper floors. One whole floor is handed over to the Registrar for his offices in Bombay, and half the topmost floor is assigned to the Institute for its offices and a hall for meetings. It was expected that the rent obtained by leasing out the remaining space would cover all the outgoings, including repairs, municipal charges and the sinking fund and also the amortisation of the loan. But unfortunately the boom brought about by the War conditions was

followed by severe trade depression with the result that the Memorial fund was unable to collect more than Rs. 47,000/- and on the other hand the rents of the buildings in Bombay went down to such an extent that the Institute was unable to get tenants for the unoccupied portion of the building for nearly two years. A tenant was secured at long last, but for a rent much lower than the expected amount, with the result that the Institute has to pay Rs. 300/- a month for its offices to make both ends meet. To get over the difficulty the Institute proposes to approach Government to reduce the ground rent, and to raise a 5 per cent. debenture loan to repay the Bank's loan bearing interest at 6 per cent. With the success of these measures the Institute can hope to attain the position it had expected by constructing the building.

Funds :— The funds of the Institute are made up mainly of subscriptions from members and the Government grant. Some of the Branches have succeeded in obtaining small grants from the Local Boards. It may be hoped that all the Boards will soon realise the importance of co-operative work in rural areas and see their way to make suitable grants for the work of the Branches. The financing banks, besides paying their subscriptions, have been making some grants for special work like conferences and education. Far greater responsibility for adequate financial aid to enable the Institute to efficiently carry on its varied and important work lies on Government as the body responsible for initiating the movement. This policy for some time was recognised. Though the grant for the first three years was only Rs. 4,000/- a year, in the fourth year it was raised to Rs. 5,000/-, and to Rs. 10,000 in the fifth. From the fourth year an additional grant of Rs. 4,000/- began to be paid for the work of the Provincial Conference as already mentioned. Government also agreed to increase the grant on a rupee to rupee basis, i.e. equal to the income of the Institute. Accordingly the grant in the sixth year was raised to Rs. 15,000, in the seventh and eighth years to Rs. 22,000 and in the ninth to Rs. 28,000. In the tenth year Government receded from the undertaking, and made a grant of Rs. 30,000 only in spite of the much larger income of the Institute. In the eleventh year also the grant stood at the same figure.

It would indeed be most unfortunate if Government were to cease to carry out in future the understanding it so wisely gave at one time. The grant in this Presidency cannot be measured by the amounts paid to similar institutions by Governments in other Provinces. The Bombay Presidency does not possess a compact

area, but consists of a long strip of land bounded by the Mysore State in the South, running along the Nizam's Dominions and the Central Indian States in the East and reaching North up to Rajputana and Baluchistan. This fact accounts for the large amount of travelling allowances which the Institute has to pay to the members of the Committee and the Council coming over to Bombay for attending meetings. Secondly, we have as many as four written languages in the Presidency involving the publication of the Institute's journals, leaflets, books and other literature in as many languages, and the holding of conferences and classes also in those different languages. Over and above this the Institute has to do all that work in English to maintain touch with the intelligentsia of the areas speaking those diverse languages. All this work involves an expenditure of four times the amount spent by any other Presidency like Bengal or the Punjab on similar activities. On the other hand, the Institute cannot expect to make up the requisite amount from societies by increasing the existing rates of subscriptions or otherwise, by reason of the small margin left to the societies between the borrowing and lending rates in this Province, as compared with other provinces, and of the fact that a large number of societies lies in the famine tracts. Moreover what little the societies can now spare or will be able to spare in the future will be required for consolidating their own position and to raise the efficiency of management. If all these facts were recognised, Government will find sufficient grounds for making liberal grants to the Institute for carrying on its work on an extensive scale.

Relations with the Co-operative Department:— The relations of the Institute from its very inception with the Co-operative Department have been most cordial. The Department recognises the value of the services that a non-official body like the Institute with its honorary as well as paid workers renders to the movement. The Registrar Mr. Ewbank took an active part in starting the Institute. He made an addition in the models of by-laws making the membership of the Institute compulsory on all societies registered thereafter. He was also instrumental in obtaining a Government grant to the Institute. Mr. Rothfeld who succeeded him continued the policy and succeeded in obtaining Government consent to increase the grant on a rupee to rupee basis. The Department also helps the Institute by deputing its officers in the work of its classes and conferences. The Institute on the other hand has given to the Registrar, as it has done in the case of other

constituencies, a representation on the Executive Committee, the Provincial Council and the Provincial Conference. The personal discussions which he holds with the Institute's Committee help to bring about mutual understanding on matters of importance. The Registrar also consults the Institute on questions of policy, on changes in existing by-laws, the preparation of by-laws for new kinds of societies and the appointment of Honorary Organisers. He also often consults the Institute's Committee of Legal Advice on question involving points of law. The most important step recently taken is the recognition given to the Institute in the Bombay Co-operative Societies' Act of 1925 and granting it powers to sanction donations made by societies for charitable and co-operative purposes under Sec. 42. All these circumstances have tended to maintain mutual co-operation between the two arms of the movement.

The Institute and Politics:—In an able paper read at the Twelfth Congress of the International Co-operative Alliance held at Stockholm in 1927, Mr. Albin Johanson, Director of the Swedish C. W. S. and Union, emphasised the prudent resolve made by the Rochdale Pioneers that the Co-operative Society should be neutral in religious and political affairs. "The Twenty-eight Weavers" he wrote, "had assuredly other interests besides Co-operative, they lacked nothing in political fervour. But they said that these two interests must of necessity be kept apart—they would not mix. They were moved by a natural desire to avert dissension among their members. If such discretion and impartiality were necessary in those days, the reasons for holding fast to that view and position are much stronger now. Infinite mischief would be wrought if, for instance, Denmark's farmers should make their Co-operation serve as hand-maid to the political party to which individually they all belong, or if, Sweden's workers should demand that Swedish Co-operation should support the party to which, separately or collectively, most of them are attached. The result of this neutrality is that men from very different social strata have become interested in the movement. If co-operators, in their co-operative meetings, debated political issues and excited themselves into resolutions thereon, these critics might, perhaps, for a little, be happy. Their burblings ask merely for wrangling and division in societies, for the members who are keen politicians would as vigorously argue and prefer their views, grouping with kindred spirits for the purpose. The opponents of co-operation stigmatise the Movement as socialist. They know if only they can convert or pervert the

Co-operative Movement into a religious or political coterie its progress will cease. In some countries where Labour dominates there is greater difficulty in maintaining full neutrality. The Co-operative programme is even here so well conceived that where it is respected no one member can ever trespass on the equal privileges of another". The veteran co-operator, Sir Horace Plunkett, who has made co-operation his life-work, says : "Since their organisations must include men and women of all political opinions, Co-operation must give a wide berth to party politics. The success and, indeed, the survival of the Irish Co-operative Movement during the life of a generation, may reasonably be attributed to the faithful observance at all meetings of societies of a non-political and non-sectarian pledge, which is in the constitution of all societies."

Sir Horace however makes it plain that this abstinence from politics does not mean that co-operative societies require no State aid. He emphatically states that they may legitimately demand technical instruction ; agricultural experiments and research ; useful information for adults (by lectures, leaflets and broadcasting) ; a redirection of general education in the rural schools ; the extension of credit facilities to Co-operative Societies and the consequential audit of their accounts ; the regulation of transport, so as to prevent discrimination (either in freights or facilities) against agricultural consigners ; the marketing and branding of graded produce and similar aids to farmers conceded by continental governments.

The Institute has always followed the policy enunciated above by keeping itself clear of politics and religion. Its membership is made up of societies of peasants as well as of Government servants, of the Police force as well as of employees in various services. As the representative head of these various interests it can scarcely afford to meddle in political or religious questions. The Institute has maintained neutrality in local, municipal, provincial or imperial politics. Discussion of politics, in co-operative meetings of Committees, Councils or Conferences, has consistently been eschewed. Co-operators recognise that there are suitable platforms for ventilating their individual political views, and they feel that they will not be justified in mixing up co-operation with politics. Questions have at times arisen when the line of demarcation was very thin, and the temptation to take a leap very strong ; yet the exercise of prudence has kept the Institute within its legitimate bounds. The Institute on the other hand lays down no bar against the admission of any member on the ground of his belong-

ing to any political creed. The Institute's doors are kept open to men of all shades of opinion and faith. For it believes that co-operation offers so wide a field for work that everyone who can do his bit must have a place in it.

Position of the Institute in the Movement :— The relative position, which the Institute now occupies, or hopes to occupy in future, in the Co-operative Movement, is clear. At present three agencies are at work in furtherance of the movement, all aiming at perfecting their machinery for the efficient discharge of their duties—the Registrar as the representative of Government, with a staff under him ; the Financing Banks as the custodians and mobilisers of capital with their office and field establishments ; and the Institute as the representative head of the societies striving to perfect its structure through Supervising Unions and District Federations, with a body of workers both honorary and paid. The present fourth agency consisting of Honorary Organisers can have no permanent place in the Movement. Though each of them is doing useful work in the locality assigned to him, collectively they have no cohesive force. The Honorary Organisers as such may not be merged in the Institute, but their work will have to be merged in it sooner or later, for reasons and in the manner already stated. There will thus be left three arms of the movement in the field—the Registrar doing the statutory work of registration, audit, arbitration and cancellation ; the Banks providing finance and inspection over the finance, the Institute doing the work of organisation, supervision and education. The future efficiency of the movement will depend upon the efficient discharge of the work assigned or undertaken by these agencies.

The Necessity of a Fourth Arm :— The movement will not, however, be able to make rapid strides with these three wheels only. To accelerate the progress of the movement the fourth wheel of Co-operative Trade must soon be wrought and put into action. Without it the chariot of Co-operation will not be able to reach its destination within a measurable length of time. The task of perfecting this arm may be difficult, but is worth achieving. It cannot, however, be entrusted to amateurs ; but if the work of organising co-operative trade be entrusted to men specially trained in the line, it can be achieved much sooner. With sustained and well directed efforts the co-operative machinery can be so perfected as to serve more efficiently in the work of promoting Better Living, Better Business and Better Farming among the masses.

APPENDIX A.

The Bombay Co-operative Societies Act, 1925

CONTENTS

SECTIONS

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BOMBAY ACT No. VII OF 1925

(First published, after having received the assent of the Governor-General, in the "Bombay Government Gazette" on the 4th December 1925)

An Act to consolidate and amend the law relating to co-operative societies in the Presidency of Bombay

WHEREAS it is expedient further to facilitate the formation and working of co-operative societies for the promotion of thrift, self-help and mutual aid among agriculturists and other persons with common economic needs so as to bring about better living, better business and better methods of production and for that purpose to consolidate and amend the law relating to co-operative societies in the Presidency of Bombay ; and whereas the previous sanction of the Governor-General required by sub-section (3) of section 80-A of the Government of India Act has been obtained for the passing of this Act : It is hereby enacted as follows :—

Preliminary

1. *SHORT TITLE.* This Act may be called the Bombay Co-operative Societies Act, 1925.

2. *EXTENT.* This Act extends to the whole of the Presidency of Bombay.

3. *DEFINITION.* In this Act, unless there is anything repugnant in the subject or context,

(a) "by-laws" means by-laws registered under this Act and for the time being in force and includes a registered amendment of such by-laws :

(b) "Committee" means the Committee of Management or other directing body to whom the management of the affairs of a society is entrusted :

(c) "Member" includes a person joining in the application for the registration of a society or a person admitted to membership after registration in accordance with the rules and by-laws applicable to such society :

(d) "Officer" includes a chairman, secretary, treasurer, member of committee or other person empowered under the rules or under the by-laws of a society to give directions in regard to the business of such society :

(e) "Society" means a society registered or deemed to be registered under this Act :

(f) "Registrar" means a person appointed to perform the duties of a Registrar of Co-operative Societies under this Act :

(g) "Rules" means rules made under this Act :

(h). (1) a "Resource society" means a society formed with the object of obtaining for its members the credit, goods or services required by them ;

(2) a "Producers' society" means a society formed with the object of producing and disposing of goods as the collective property of its members and includes a society formed with the object of the collective disposal of the labour of the members of such society ;

(3) a "Consumers' society" means a society formed with the object of obtaining and distributing goods to or of performing services for its members, as well as to other consumers and of dividing among its members and customers in a proportion prescribed by the rules or by the by-laws of such society the profits accruing from such supply and distribution ;

(4) a "Housing society" means a society formed with the object of providing its members with dwelling houses on conditions to be determined by its by-laws ;

(5) a "General society" means a society not falling under any of the four classes above mentioned.

The Registrar shall classify all societies under one or other of the above heads and his decision shall be final.

A society formed with the object of facilitating the operations of any one of the above classes of societies shall be classified as a society of that class.

A list of all such societies so classified shall be published annually in the *Bombay Government Gazette*.

Registration

4. *THE REGISTRAR.* Government may appoint a person to be Registrar of Co-operative Societies for the presidency or any portion of it, and may appoint a person or persons to assist such Registrar, and may, by general or special order, confer on any

such person or persons all or any of the powers of a Registrar under this Act.

5. SOCIETIES WHICH MAY BE REGISTERED.

Subject to the provisions hereinafter contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability :

Provided that, unless Government by general or special order otherwise directs—

(1) the liability of a society of which a member is a society shall be limited :

(2) the liability of a society of which the primary object is the creation of funds to be lent to its members, and of which the majority of the members are agriculturists and of which no member is a registered society, shall be unlimited and the members of such a society shall, on its liquidation, be jointly and severally liable for and in respect of all obligations of such a society :

Provided further that when the question whether the liability of a society is limited or unlimited has once been decided by the Registrar at the time of registration his decision shall be final.

6. RESTRICTIONS ON INTEREST OF MEMBER OF SOCIETY WITH LIMITED LIABILITY AND A SHARE CAPITAL. Where the liability of the members of a society is limited by shares, no member other than a society shall

(a) hold more than such portion of the share capital of the society, subject to a maximum of one-fifth, as may be prescribed by the rules : or

(b) have or claim any interest in the shares of the society exceeding three thousand rupees : provided that if the society is a housing society a member may have or claim an interest in the shares of the society not exceeding Rs. 10,000.

7. CONDITIONS OF REGISTRATION. (1) No society, other than a society of which a member is a society, shall be registered under this Act, which does not consist of at least ten persons above the age of eighteen years and, where the object of the society is the creation of funds to be lent to its members, unless such persons—

(a) reside in the same town or village or in the same group of villages ; or

(b) save where the Registrar otherwise directs, are members of the same tribe, class, caste or occupation.

(2) The word "limited" shall be the last word in the name of every society with limited liability registered under this Act.

8. *POWER OF REGISTRAR TO DECIDE CERTAIN QUESTIONS.* When any question arises whether for the purpose of the formation, or registration or continuance of a society under this Act a person is an agriculturist or a non-agriculturist, or whether any person is a resident in a town or village or group of villages, or whether two or more villages shall be considered to form a group, or whether any person belongs to any particular tribe, class, caste or occupation, the question shall be decided by the Registrar, whose decision shall be final.

9. *APPLICATION FOR REGISTRATION.* (1) For purposes of registration an application to register shall be made to the Registrar.

(2) The application shall be signed

(a) in the case of a society of which no member is a society, by at least ten persons qualified in accordance with the requirements of section 7, sub-section (1); and

(b) in the case of a society of which a member is a society, by a duly authorised person on behalf of every such society and where all the members of the society are not societies, by ten other members or, when there are less than ten other members, by all of them.

(3) The application shall be accompanied by a copy of the proposed by-laws of the society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

10. *REGISTRATION.* If the Registrar is satisfied that a society has complied with the provisions of this Act and the rules and that its proposed by-laws are not contrary to this Act or to the rules, he may register the society and its by-laws.

11. *EVIDENCE OF REGISTRATION.* A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered unless it is proved that the registration of the society has been cancelled.

12. *ANNUAL GENERAL MEETING.* Every society shall within a period of three months after the date fixed for making up its accounts for the year under the rules for the time being in force call a general meeting of its members.

13. *SPECIAL GENERAL MEETINGS.* A special general meeting may be called at any time by a majority of the committee and shall be called within one month—

(1) on the requisition in writing of one-fifth of the members of the society, or

(2) at the instance of the Registrar.

14. *CHANGE OF NAME : ITS EFFECT.* A society may, by a resolution of a general meeting and with the approval of the Registrar, change its name : but such change shall not affect any right or obligation of the society, or of any of its members, or past members and any legal proceedings pending may be continued by or against the society under its new name.

15. *AMALGAMATION OR TRANSFER OF SOCIETIES.* (1) Any two or more societies may, with the approval of the Registrar by a resolution passed by a three-fourths majority of the members present at a special general meeting of each such society held for the purpose, amalgamate as a single society ; provided that each member has had clear fifteen days' written notice of the resolution and the date of the meeting. Such an amalgamation may be effected without a dissolution, or a division of the funds, of the amalgamating societies. The resolution of the societies concerned shall on such amalgamation be a sufficient conveyance to vest the assets and liabilities of the amalgamating societies in the amalgamated society.

(2) Any society may by a resolution passed in accordance with the procedure laid down in sub-section (1) transfer its assets and liabilities to any other society which is prepared to accept them :

Provided that when any such amalgamation or transfer of assets and liabilities involves the transfer of its liabilities by any society to any other society, it will not be made without giving three months' notice to the creditors of both or all such societies :

Provided further that if a creditor or creditors of any of the societies concerned objects or object to such amalgamation or transfer of assets and liabilities and gives or give written notice to that effect

to the society or societies concerned one month before the date fixed for such amalgamation or transfer, the amalgamation or transfer shall not be made until the dues of such creditor or creditors have been satisfied.

16. *AMENDMENT OF THE BY-LAWS OF A SOCIETY.* (1) No amendment of the by-laws of a society shall be valid until approved by the resolution of a general meeting and registered under this Act, for which purpose a copy of the amendment shall be forwarded to the Registrar.

(2) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Act or to the rules, he may register the amendment.

(3) When the Registrar registers an amendment of the by-laws of a society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence that the same is duly registered.

Rights and liabilities of members

17. *NO RIGHTS OF MEMBERSHIP TO BE EXERCISED TILL DUE PAYMENTS ARE MADE.* No person shall exercise the rights of a member of a society unless or until he has made such payment to the society in respect of membership, or acquired such interest in the society as may be prescribed by the rules or the by-laws of such society.

18. *VOTES OF MEMBERS.* (1) No member of any society shall have more than one vote in its affairs, provided that in the case of an equality of votes the chairman shall have a casting vote.

(2) A society which has invested any part of its funds in the shares of another society, may appoint one of its members to vote in the affairs of such other registered society.

19. *RESTRICTIONS ON TRANSFER OF SHARE OR INTEREST.* (1) The transfer or charge of the share or interest of a member in the capital of a society shall be subject to such conditions as to maximum holding as may be prescribed by this Act or by the rules.

(2) A member shall not transfer any share held by him or his interest in the capital or property of any society or any part thereof unless

(a) he has held such share or interest for not less than one year ; and

(b) the transfer or charge is made to the society or to a member of the society or to a person whose application for membership has been accepted by the society.

Duties of Societies

20. *ADDRESS OF SOCIETIES.* Every society shall have an address registered in accordance with the rules, to which all notices and communications may be sent, and shall send notice in writing to the Registrar of any change in the said address within 30 days of such change.

21. *COPY OF ACT, ETC., TO BE OPEN TO INSPECTION.* Every society shall keep open to inspection at all reasonable times at the registered address of the society—

- (a) a copy of this Act,
- (b) a copy of the rules governing such society,
- (c) a copy of the by-laws of such society, and
- (d) a register of its members.

22. *AUDIT.* (1) The Registrar shall by himself or by some person authorized by him in writing by general or special order in this behalf audit the accounts of every society once at least every year.

(2) The audit under sub-section (1) shall include an examination of overdue debts, if any, the verification of cash balance and securities, and a valuation of the assets and liabilities of the society.

(3) The Registrar or other person auditing the accounts of any society shall have free access to the books, accounts and vouchers of such society and shall be allowed to verify its cash balances and securities.

The Directors, Managers, and other officers of the society shall furnish to the Registrar or other person appointed to audit the accounts of a society all such information as to its transactions and working as the Registrar or such person may require.

(4) The Registrar and every other person appointed to audit the accounts of a society shall have power, when necessary

- (i) to summon at the time of his audit any officer, agent, servant or member of the society who he has reason to be-

lieve can give valuable information in regard to any transaction of the society or the management of its affairs, or

(ii) to require the production of any book or document relating to the affairs of any cash or securities belonging to the society by the officer, agent, servant or member in possession of such book, document, cash or securities.

Privileges of Societies

23. *SOCIETIES TO BE BODIES CORPORATE.* The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings and to do all things necessary for the purposes of its constitution.

24. *PRIOR CLAIM OF SOCIETY.* Subject to any prior claim of Government in respect of land revenue or any money recoverable as land revenue or of a landlord in respect of rent or any money recoverable as rent,

(a) any debt or outstanding demand owing to a society by any member or past member shall be a first charge (i) upon crops or other agricultural produce raised in whole or in part with a loan taken from the society by such member or past member, and (ii) upon any cattle, fodder for cattle, agricultural or industrial implements or machinery, or raw materials for manufacture or workshops, godown or place of business, supplied to or purchased by such member or past member in whole or in part from any loan whether in money or goods given him by the society ;

Provided that nothing contained in this clause shall affect the claims of any *bona fide* purchaser or transferee for value without notice of any such crops or other agricultural produce, cattle, fodder for cattle or raw materials for manufacture or workshops or agricultural or industrial implements ; and

(b) any outstanding demands or dues payable to a housing society by any member or past member in respect of rent, shares, loans, or purchase money or any other rights or amounts payable to such society shall be a first charge upon his interest in the immovable property of the society.

25. *CHARGE AND SET-OFF IN RESPECT OF SHARES OR INTEREST OF MEMBER.* A society shall

have a charge upon the share or interest in the capital and on the deposits of a member or past member and upon any dividend, bonus or profits payable to a member or past member in respect of any debt due from such member or past member to the society, and may set off any sum credited or payable to a member or past member in or towards payment of any such debt.

26. *SHARES OR INTEREST NOT LIABLE TO ATTACHMENT.* Subject to the provisions of section 25, the share or interest of a member in the capital of a society or in any provident fund established under section 41 of this Act shall not be liable to attachment or sale under any decree or order of a court of justice in respect of any debt or liability incurred by such member, and neither the Official Assignee, under the Presidency Towns Insolvency Act, 1909, nor a Receiver under the Provincial Insolvency Act, 1920, shall be entitled to or have any claim on such share or interest.

27. *TRANSFER OF INTEREST ON DEATH OF MEMBER.* (1) On the death of a member of a society such society may within a period of one year from the death of such member transfer the share or interest of the deceased member to a person or persons nominated in accordance with the by-laws of the society, if duly admitted a member of the society, in accordance with the rules or the by-laws of the society, or, if there is no person so nominated, to such person as may appear to the Committee to be the heir or legal representative of the deceased member if duly elected a member of the society, or may pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest as ascertained in accordance with the rules or by-laws :

Provided that such nominee, heir or legal representative, as the case may be, may require that payment shall be made by the society within one year from the death of the member of the value of the share or interest of such member ascertained as aforesaid.

(2) A society shall subject to the provisions of section 25 and unless prevented by an order of a competent court pay to such nominee, heir or legal representative, as the case may be, all other moneys due to the deceased member from the society.

(3) All transfers and payments made by a society in accordance with the provisions of this section shall be valid and effectual against any demand made upon the society by any other person.

28. *LIABILITY OF PAST MEMBER.* The liability of a past member for the debts of a society as they existed at the time when he ceased to be a member, shall continue for a period of two years from the date of his ceasing to be a member.

29. *LIABILITY OF THE ESTATES OF DECEASED MEMBERS.* The estate of a deceased member shall be liable for a period of one year from the date of his decease for the debts of a society as they existed at the time of his death.

30. *REGISTER OF MEMBERS.* Any register or list of members or shares kept by any society shall be *prima facie* evidence of any of the following particulars entered therein :—

(a) the date at which the name of any person was entered in such register or list as a member ;

(b) the date at which any such person ceased to be a member.

31. *ADMISSIBILITY OF COPY OF ENTRY AS EVIDENCE.* (1) A copy of any entry in any book, register or list regularly kept in the course of business in the possession of a society shall, if duly certified in such manner as may be prescribed by the rules, be admissible in evidence of the existence of the entry and shall be admitted as evidence of the matters and transactions therein recorded in every case where, and to the same extent to which, the original entry would, if produced, have been admissible to prove such matters.

(2) In the case of such societies as Government by general or special order may direct no officer of a society shall in any legal proceedings to which the society is not a party be compelled to produce any of the society's books, the contents of which can be proved under sub-section (1), or to appear as a witness to prove the matters, transactions and accounts therein recorded, unless by order of the Court or a Judge made for a special cause.

32. *EXEMPTION FROM COMPULSORY REGISTRATION OF INSTRUMENTS RELATING TO SHARES AND DEBENTURES OF SOCIETY.* Nothing in section 17, sub-section (1), clauses (b) and (c), of the Indian Registration Act, 1908, shall apply to—

(1) any instrument relating to shares in a society, notwithstanding that the assets of the society consist in whole or in part of immovable property ; or

(2) any debenture issued by any society and not creating, declaring, assigning, limiting or extinguishing any right, title or interest to or in immovable property except in so far as it entitles the holder to the security afforded by a registered instrument whereby the society has mortgaged, conveyed or otherwise transferred the whole or part of its immovable property or any interest therein to trustees upon trust for the benefit of the holders of such debentures ; or

(3) any endorsement upon or transfer of any debenture issued by any society.

33. POWER TO EXEMPT FROM INCOME-TAX STAMP-DUTY, REGISTRATION AND COURT FEES.

(1) The Governor-General in Council, by notification in the *Gazette of India*, may, in the case of any society or class of societies, remit the income-tax or super-tax payable in respect of the profits of the society, or of the dividends or other payments received by the members of the society on account of profits or in respect of interest on securities held by the society.

(2) The Local Government by notification in the *Bombay Government Gazette* may, in the case of any society or class of societies, remit—

(a) the stamp-duty with which, under any law for the time being in force, instruments executed by or on behalf of a society or by an officer or member and relating to the business of the society, or any class of such instruments or awards of the Registrar or arbitrators under this Act are respectively chargeable ; and

(b) any fee payable under the law of registration and of court fees for the time being in force.

33A. GOVERNMENT MAY GIVE LOANS OR GUARANTEE INTEREST. With such safeguards as may be prescribed by rules in this behalf Government may give loans to societies or guarantee the payment of interest on debentures issued by them.

Property and funds of societies

34. RESTRICTIONS ON LOANS. (1) Except with the general or special sanction of the Registrar a society shall not make a loan to any person other than a member.

(2) Save with the sanction of the Registrar, a society with unlimited liability shall not lend money on the security of movable property.

(3) Government may, by general or special order, prohibit or restrict the lending of money on mortgage of immovable property by any society or class of societies.

35. *RESTRICTIONS IN BORROWING.* A society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the rules or by the by-laws of the society.

36. *RESTRICTIONS ON OTHER TRANSACTIONS WITH NON-MEMBERS.* Consumers', Producers' and Housing Societies may to the extent permitted by their by-laws trade with persons who are not members, but the transactions of a Resource Society with persons other than members except as provided under section 34 or 35 shall be subject to such prohibitions and restrictions, if any, as Government may by rules prescribe.

37. *INVESTMENT OF FUNDS.* A society may invest or deposit its funds

(a) in the Government Savings Bank ; or

(b) in any of the securities specified in section 20 of the Indian Trusts Act, 1882 ; or

(c) in the shares or on the security of any other society, provided that no such investment shall be made in the shares of any society other than one with limited liability ; or

(d) with any bank or person carrying on the business of banking approved for this purpose by the Registrar ; or

(e) in any other mode permitted by the rules.

38. *RESTRICTIONS ON DIVIDEND.* No society shall pay a dividend to its members at a rate exceeding 10 per cent.

39. *RESERVE FUND.* (1) Every society which does or can derive a profit from its transactions shall maintain a reserve fund.

(2) In the case of a Resource or Producers' Society at least $\frac{1}{4}$ th of the net profits of the society each year shall be carried to the reserve fund and in the case of any other society at least $\frac{1}{10}$ th of the net profits of the society each year shall be carried to the reserve fund, and such reserve fund may be used in the business

of the society or may be invested, subject to the provisions of section 37, as Government may by general or special order direct, or may, with the previous sanction of Government be used in part for some public purpose likely to promote the objects of this Act or for some purposes of provincial or local interest.

40. *RESTRICTIONS ON DISTRIBUTION OF PROFITS.* Subject to the provisions of section 38 the balance of the profits of a society after making the prescribed provision for the reserve fund may, together with any available profits of past years, be distributed among its members, and in the case of Consumers' and Producers' Societies, also among persons who are not members, to the extent and under the conditions prescribed by the rules or by the by-laws of such societies, provided that :—

(a) in the case of a Resource Society on a basis of unlimited liability in which the members do not hold shares, no distribution of profits shall be made without the general or special order of Government in this behalf ; and

(b) in the case of a Resource Society on a basis of unlimited liability in which the members hold shares, no such distribution of profits shall be made until 10 years from the date of registration of the society have elapsed.

41. *PROVIDENT FUND.* Any society may establish a provident fund for its members out of contributions from such members in accordance with by-laws made by the society in this behalf and may contribute to such provident fund from its net profits, after the prescribed payments have been made to the reserve fund, provided that such provident fund shall not be used in the business of the society but shall be invested under the provisions of section 37 ; and provided further, that no part of such provident fund shall be considered as an asset of the society.

42. *CONTRIBUTION TO CHARITABLE PURPOSE.* With the approval of the Bombay Central Co-operative Institute and after the payments prescribed by sub-section (2) of section 39 have been made to the reserve fund, any society may—

(a) set aside a sum not exceeding 20 per cent. of its net profits, and

(b) utilize from time to time the whole of such sum in contributing to any public or co-operative purpose, or to a charitable

purpose as defined in section 2 of the Charitable Endowments Act, 1890.

Inspection of affairs

43. *INQUIRY BY REGISTRAR.* (1) The Registrar may of his own motion by himself or by a person duly authorised by him in writing in this behalf hold an inquiry into the constitution, working and financial condition of a society.

(2) The Registrar shall hold such an inquiry as is contemplated in sub-section (1) of this section—

(a) on the requisition of a society, duly authorised by rules made in this behalf to make such requisition, in respect of one of its members, such member being itself a society,

(b) on the application of a majority of the Committee of the society,

(c) on the application of $\frac{1}{3}$ rd of the members of the society.

(3) All officers and members of the society whose affairs are investigated shall furnish such information in their possession in regard to the affairs of the society as the Registrar or the person authorised by the Registrar may require.

(4) The result of any inquiry under this section shall be communicated to the society whose affairs have been investigated.

44. *INSPECTION OF BOOKS OF INDEBTED SOCIETY.* (1) The Registrar may, on the application of a creditor of a society inspect or direct some person authorised by him by order in writing in this behalf to inspect the books of the society :

Provided that—

(a) the applicant satisfies the Registrar that the debt is a sum then due, and that he has demanded payment thereof and has not received satisfaction within a reasonable time ; and

(b) the applicant deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.

(2) The Registrar shall communicate the result of any such inspection to the creditor.

45. *COSTS OF ENQUIRY.* Where an inquiry is held under section 43 or an inspection is made under section 44 the Registrar may apportion the costs, or such part of the costs, as he may think

right, between the society, the members or creditor demanding the inquiry or inspection, the officers or former officers; and the members or past members of the society.

Provided that—

(a) no order of apportionment of the costs shall be made under this section unless the society or persons liable to pay the costs thereunder has or have been heard or has or have had a reasonable opportunity of being heard ;

(b) the Registrar shall state in writing under his own hand the grounds on which the costs are apportioned.

46. *RECOVERY OF COSTS.* Any sum awarded by way of costs under section 45 may be recovered, on application by the Registrar to a Magistrate having jurisdiction in the place where the person from whom the money is claimable actually and voluntarily resides, or carries on business, by the distress and sale of any movable property within the limits of the jurisdiction of such Magistrate belonging to such person, and such Magistrate shall proceed to recover the same in the same manner as if it were a fine imposed by himself.

Liquidation and Arbitration

47. *WINDING UP.* If the Registrar, after an inquiry has been held under section 43 or after an inspection has been made under section 44 or on receipt of an application made by three-fourths of the members of a society present at a special general meeting, called for the purpose or of his own motion, in the case of a society that has not commenced working, or has ceased working, or possesses shares or members' deposits not exceeding Rs. 500, is of opinion that the society ought to be wound up, he may issue an order directing it to be wound up, and when necessary, may appoint a liquidator for the purpose and fix his remuneration.

48. *SOCIETY MAY BE WOUND UP IF MEMBERSHIP IS REDUCED.* Where it is a condition of the registration of a society that it shall consist of at least ten members who are majors, the Registrar may by order in writing direct the society to be wound up, if at any time it is proved to his satisfaction that the membership has been reduced to less than ten such members.

49. *EFFECT OF CANCELLATION OF REGISTRATION.* When the affairs of a society for which a liquidator has

been appointed under section 47 have been wound up, or, where no liquidator has been appointed, after two months from the date of an order under section 47, or after confirmation of such order in appeal, the Registrar shall make an order cancelling the registration of the society, and the society shall be deemed to be dissolved from the date of such order.

50. *POWERS OF A LIQUIDATOR.* A liquidator appointed under section 47 shall have power with the sanction of the Registrar to do all or any of the following things :—

- (a) pay any class or classes of creditors in full ;
- (b) make any compromise or arrangement with creditors or persons claiming to be creditors or having or alleging themselves to have any claim, present or future, whereby the society may be rendered liable ;
- (c) to compromise all calls or liabilities to calls and debts, and liabilities capable of resulting in debts and all claims, present or future, certain or contingent, subsisting or supposed to subsist between the society and a contributory or alleged contributory or other debtor or person apprehending liability to the society and all questions in any way relating to or affecting the assets or the winding up of the society on such terms as may be agreed and take any security for the discharge of any such call, liability, debt, or claim and give a complete discharge in respect thereof ;
- (d) from time to time to determine the contribution to be made or remaining to be made by the members or past members or by the estates or nominees, heirs or legal representatives of deceased members or by any officer, to the assets of the society, such contribution including debts due from such members or persons ;
- (e) to institute and defend suits and other legal proceedings on behalf of the society in the name of his office ;
- (f) to issue requisitions under section 59 upon the Collector for the recovery as arrears of land revenue of any sum ordered by him to be recovered as dues from members or as a contribution to the assets of the society or to the cost of liquidation ;
- (g) to get disputes referred to arbitration ;
- (h) to investigate all claims against the society and subject to the provisions of this Act to decide questions of priority arising out of such claims, and to pay rateably according to the amount of such debts, the surplus if any being applied in payment of

interest from the date of liquidation at a rate to be fixed by the Registrar and not exceeding the contract rate ;

(i) to determine by what persons and in what proportion the cost of the liquidation shall be borne ;

(j) to give such directions in regard to the collection and distribution of the assets of the society as may appear to him to be necessary for winding up the affairs of the society ;

(k) to fix the time or times within which creditors shall prove their debts and claims or be included for the benefit of any distribution made before those debts or claims are proved :

(l) to carry on the business of the society so far as may be necessary for the beneficial winding up of the same :

Provided that no liquidator shall determine the contribution, debt or dues to be recovered from a past member or the representative of a deceased member unless opportunity has been given to such past member or to such representative to answer the claim.

50A. *POWER OF REGISTRAR TO ASSESS DAMAGE AGAINST DELINQUENT PROMOTERS, ETC.*

(1) Where, in the course of the winding up of a society it appears that any person who has taken part in the organization or management of the society or any past or present chairman, secretary, member of the managing committee or officer of the society has misapplied or retained or become liable or accountable for any money or property of the society or has been guilty of misfeasance or breach of trust in relation to the society, the Registrar may, on the application of the liquidator or of any creditor or contributory, examine into the conduct of such person and make an order requiring him to repay or restore the money or property or any part thereof respectively with interest at such rate as the Registrar thinks just or to contribute such sum to the assets of the society by way of compensation in regard to the misapplication, retainer, misfeasance or breach of trust as the Registrar thinks just.

(2) This section shall apply notwithstanding that the act is one for which the offender may be criminally responsible.

51. *BAR OF SUIT IN WINDING UP AND DISSOLUTION MATTERS.* Save in so far as is expressly provided in this Act no civil court shall take cognizance of any matter connected with the winding up or dissolution of a society under this Act and when a winding up order has been made no suit or other legal proceeding shall lie or be proceeded with against the society except

by leave of the Registrar and subject to such terms as he may impose.

52. *DISPOSAL OF SURPLUS ASSETS.* After all the liabilities including the paid up share capital of a cancelled society have been met the surplus assets shall not be divided amongst its members but they shall be devoted to any object or objects described in the by-laws of the society and when no object is so described to any object of public utility determined by the general meeting of the society and approved by the Registrar or they may in consultation with them either be assigned by the Registrar in whole or in part to any or all of the following :—

- (a) an object of public utility of local or communal interest,
- (b) a charitable purpose as defined in section 2 of the Charitable Endowments Act, 1890,
- (c) the Bombay Central Co-operative Institute, or may be placed on deposit with a Central Co-operative Bank until such time as a new society with similar conditions is registered when with the consent of the Registrar such surplus may be credited to the reserve fund of such new society.

53. *SURPLUS ASSETS OF HOUSING SOCIETY.* Where the society directed to be wound up is a housing society, its assets, both movable and immovable, shall, for the purposes of winding up or dissolution of the society, jointly vest, subject to all rights and equities, in three persons of whom one shall be nominated by the Registrar, one shall be nominated by the said Society in a general meeting specifically called for the purpose and one shall be nominated by the Bombay Central Co-operative Institute. Such persons shall, for the purpose of winding up or dissolution of the Society be Joint Liquidators and shall have all the powers of a liquidator under this Act. They may, with the sanction of the Registrar, continue the working of the society, or may, subject to his sanction and in consultation with the members of the society in a general meeting, reconstruct the society or may sell off the premises of the society to the best advantage of all interests concerned, and when all the liabilities of the society are met may dispose of the surplus assets of the society if any, as provided in section 52.

54. *ARBITRATION.* If any dispute touching the business of a society arises between members or past members of the society

or persons claiming through a member or past member or between members or past members or persons so claiming and any officer, agent, or servant of the society or between the society or its committee, and any officer, agent, member or servant of the society, it shall be referred to the Registrar for decision by himself or his nominee, or if either of the parties so desires, to arbitration of three arbitrators who shall be the Registrar or his nominee and two persons of whom one shall be nominated by each of the parties concerned.

A dispute shall include claims by a society for debts or demands due to it from a member or past member or the heirs or assets of a past member whether such debts or demands be admitted or not.

Provided that if the question at issue between a society and a claimant, or between different claimants, is one involving complicated questions of law and fact, the Registrar may, if he thinks fit, suspend proceedings in the matter until the question has been tried by a regular suit instituted by one of the parties or by the society. If no such suit is instituted within six months of the Registrar's order suspending proceedings the Registrar shall take action as laid down in paragraph 1 of this section.

55. *ATTACHMENT BEFORE AWARD.* Where a dispute has been referred to the Registrar under section 54 or to arbitration under clause (g) of section 50, the Registrar or his nominee or the arbitrators, as the case may be, if satisfied on inquiry or otherwise, that a party to such arbitration with intent to delay or obstruct the execution of any award that may be made,—

(a) is about to dispose of the whole or any part of his property,
or

(b) is about to remove the whole or any part of his property from the jurisdiction of the Registrar,
may unless adequate security is furnished direct the conditional attachment of the said property; and such attachment shall have the same effect as if made by a competent Civil Court.

56. *APPEAL AGAINST AWARD OF ARBITRATOR.* Any party aggrieved by any decision of the Registrar's nominee made under section 54 or an order passed under section 55 by the Registrar's nominee or arbitrators may within one month of the date of the award or order appeal to the Registrar and the Registrar shall decide the appeal himself.

57. *FINALITY OF ORDER.* An order passed in appeal under section 56 shall be final and conclusive. The award of the arbitrators or a decision by the Registrar or his nominee under section 54 shall not be liable to be called in question in any civil or revenue court.

58. *POWERS TO ENFORCE ATTENDANCE.* Wherever in this Act it is provided that the Registrar or person duly authorized by general or special order in writing by the Registrar in this behalf shall hold an inquiry under section 43 or shall make an inspection under section 44 or shall wind up a society or shall arbitrate, such Registrar, or person authorized, as the case may be, shall have the power to summon and enforce the attendance of witnesses including the parties interested or any of them and to compel them to give evidence, and to compel the production of documents by the same means and as far as possible in the same manner as is provided in the case of a civil court by the Code of Civil Procedure, 1908.

59. *MONEY HOW RECOVERED.* (1) Every order passed by a liquidator under section 50, or by the Registrar or his nominee or arbitrators on disputes referred to him or them under clause (g) of section 50 or under section 54, every order passed in appeal under section 56 and every order passed by Government in appeal against orders passed under sections 50 and 54 shall, if not carried out, be executed

(a) on a certificate signed by the Registrar or a liquidator by any civil court in the same manner as a decree of such court ; or

(b) according to the law and under the rules for the time being in force for the recovery of arrears of land revenue, provided that any application for the recovery in such manner of any such sum shall be made to the Collector and shall be accompanied by a certificate signed by the Registrar or by an Assistant Registrar to whom the said power has been delegated by the Registrar.

(2) When the property attached in execution of an order referred to in sub-section (1) cannot be sold for want of buyers, the same may be handed over to a society with the previous consent of the Registrar on such terms and conditions as may be agreed upon between the Collector and the said society.

Offences

60. *OFFENCES.* It shall be an offence under this Act if—

(a) *DEFAULT BY A SOCIETY, OFFICER OR MEMBER.* a society with a working capital of Rs. 50,000 or more or an officer or member thereof fails without any reasonable excuse to give any notice, send any return or document, do or allow to be done anything which the society, officer or member is by this Act required to give, send, do or allow to be done : or

(b) *WILFUL NEGLIGENCE OR DEFAULT BY A SOCIETY, ETC.* a society or an officer or a member thereof wilfully neglects or refuses to do any act or to furnish any information required for the purposes of this Act by the Registrar or other person duly authorized by him in writing in this behalf : or

(c) *WILFUL FURNISHING OF FALSE INFORMATION.* a society or an officer or a member thereof wilfully makes a false return or furnishes false information : or

(d) *DISOBEDIENCE OF SUMMONS, REQUISITION OR ORDER.* any person wilfully or without any reasonable excuse disobeys any summons, requisition or lawful written order issued under the provisions of this Act or does not furnish any information lawfully required from him by a person authorized to do so under the provisions of this Act.

61. *PENALTY FOR OFFENCES NOT OTHERWISE PROVIDED FOR.* Every society, officer or member of a society or other person guilty of an offence under this Act for which no penalty is expressly provided herein shall be liable to a fine not exceeding Rs. 50.

62. *PROHIBITION OF THE USE OF THE WORD "CO-OPERATIVE."* (1) No person other than a registered society shall without the sanction of Government trade or carry on business under any name or title of which the word "co-operative" or its vernacular equivalent forms part :

Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the date on which this Act comes into operation.

(2) Whoever contravenes the provisions of this section shall be punishable with fine which may extend to fifty rupees and in the case of a continuing offence with further fine of five rupees for each day on which the offence is continued after conviction therefor.

63. *COGNIZANCE OF OFFENCES.* (1) No court inferior to that of a Presidency Magistrate or a Magistrate of the first class shall try any offence under this Act.

(2) Notwithstanding anything contained in the Code of Criminal Procedure, 1898, every offence under this Act shall, for the purposes of the said Code, be deemed to be non-cognizable.

(3) No prosecution under this Act shall be lodged without the previous sanction of the Registrar, which shall not be given except after hearing the party concerned.

Appeals and Revision

64. *APPEALS.* An appeal against an order or decision of or sanctioned by the Registrar under section 10, 16, 45, 47, 50, 50A or 54 may be made by any party aggrieved or affected by the order or decision to Government within two months of the date of the communication of the order.

64A. *POWER OF GOVERNMENT AND THE REGISTRAR TO CALL FOR PROCEEDINGS OF SUBORDINATE OFFICERS AND TO PASS ORDERS THEREON.* The Government and the Registrar may call for and examine the record of any inquiry or the proceedings of any officer subordinate to them for the purpose of satisfying themselves as to the legality or propriety of any decision or order passed and as to the regularity of the proceedings of such officer. If in any case, it shall appear to the Government or the Registrar that any decision or order or proceedings so called for should be modified, annulled or reversed the Government or the Registrar, as the case may be, may pass such order thereon as to it or him may seem fit.

Miscellaneous

65. *RECOVERY OF SUMS DUE TO GOVERNMENT.* (1) All sums, due from a society or from an officer or member or past member of a society as such to Government, may be re-

covered according to the law and under the rules for the time being in force for the recovery of arrears of land revenue.

(2) Sums due from a society to Government and recoverable under sub-section (1) may be recovered, firstly, from the property of the society ; secondly, in the case of a society of which the liability of the members is limited, from the members or past members subject to the limit of their liability ; and, thirdly in the case of other societies, from the members or past members.

(3) The liability of past members shall in all cases be subject to the provisions of section 28.

66. *POWER TO EXEMPT SOCIETIES FROM CONDITIONS AS TO REGISTRATION.* Notwithstanding anything contained in this Act, Government may, by special order in each case and subject to such conditions, if any, as it may impose, exempt any society from any of the requirements of this Act as to registration.

67. *POWER TO EXEMPT SOCIETIES FROM PROVISIONS OF ACT.* Government may, by general or special order to be published in the *Bombay Government Gazette*, exempt any society or class of societies from any of the provisions of this Act, or may direct that such provisions shall apply to such society or class of societies with such modifications as may be specified in the order ; provided that no order to the prejudice of any society shall be passed without an opportunity being given to such society to represent its case.

68. *INDIAN COMPANIES ACT NOT TO APPLY.* The provisions of the Indian Companies Act, 1913, shall not apply to societies, registered under this Act.

69. *BRANCHES, ETC., OF SOCIETIES OUTSIDE THE PRESIDENCY.* Every Co-operative Society registered outside the Bombay Presidency, which has or establishes a branch or place of business in the Bombay Presidency shall within six months from the commencement of this Act or from the establishment of such branch or place of business, file with the Registrar a certified copy of the by-laws and amendments and, if these are not written in the English language, a certified translation in English thereof, and shall submit to the Registrar such returns and information as are submitted by similar societies in the Bombay

Presidency in addition to those submitted to the Registrar of the province where it is registered.

70. *NOTICE NECESSARY IN SUITS.* No suit shall be instituted against a society or any of its officers in respect of any act touching the business of the society until the expiration of two months next after notice in writing has been delivered to the Registrar or left at his office, stating the cause of action, the name, description and place of residence of the plaintiff and the relief which he claims ; and the plaint shall contain a statement that such notice has been so delivered or left.

71. *RULES.* (1) Government may, for the whole or any part of the presidency and for any society or class of societies, make rules to carry out the purposes of this Act.

(2) In particular and without prejudice to the generality of the foregoing power such rules may—

(a) subject to the provisions of section 6, prescribe the maximum number of shares or portion of the capital of a society which may be held by a member ;

(b) prescribe the forms to be used and the conditions to be complied with in the making of applications for the registration of a society and the procedure in the matter of such applications ;

(c) prescribe the matters in respect of which a society may or shall make by-laws and the procedure to be followed in making, altering and abrogating by-laws and the conditions to be satisfied prior to such making, alteration or abrogation ;

(d) prescribe the conditions to be complied with by persons applying for admission or admitted as members and provide for the election and admission of members and the payment to be made and the interests to be acquired before the exercise of the right of membership ;

(e) provide for ascertaining the value of a deceased member's share or interest ;

(f) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings ;

(g) provide for the appointment, suspension and removal of the members of the committee and other officers and for the procedure at meetings of the committee and for the

powers to be exercised and the duties to be performed by the Committee and other officers ;

(h) prescribe the accounts and books to be kept by a society and provide for the audit of such accounts and the charges, if any, to be made for such audit, and for the periodical publication of a balance sheet showing the assets and liabilities of a society ;

(i) prescribe the returns to be submitted by a society to the Registrar and provide for the persons by whom and the form in which such returns shall be submitted ;

(j) provide for the persons by whom and the form in which copies of documents or entries in books of societies may be certified, and for the charges to be levied for the supply of such copies ;

(k) provide for the formation and maintenance of a register of members, and where the liability of the members is limited by shares, of a register of shares ;

(l) prescribe the payments to be made and the conditions to be complied with by members applying for loans, and the period for which loans may be made, and the amount which may be lent to an individual member ;

(m) prescribe the prohibitions and restrictions subject to which societies may trade with persons who are not members ;

(n) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of a society ;

(o) prescribe the extent to which a society may limit the number of its members ;

(p) prescribe the conditions under which profits may be distributed to the members of a society and the maximum rate of dividend which may be paid by societies ;

(q) prescribe the procedure to be followed in presenting and disposing of appeals ;

(r) provide for securing that the share capital of any society shall be variable in such a way as may be necessary to secure that shares shall not appreciate in value and that necessary capital shall be available for the society as required ;

(s) provide that persons qualified under the by-laws of a

society shall not be excluded from membership without due cause ;

(*t*) prescribe the procedure to be followed by a liquidator appointed under section 47 ;

(*u*) prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators and for fixing and levying the expenses of determining the dispute ;

(*v*) provide for the issue and service of processes and for proof of service thereof ;

(*w*) provide for the writing off of bad debts ;

(*x*) regulate the manner in which funds may be raised by means of shares or debentures or otherwise ;

(*y*) provide for the withdrawal and expulsion of members and for the payments to be made to them and for the liabilities of past members ;

(*z*) provide for the nomination of a person to whom the interest of a deceased member may be paid or transferred ;

(*aa*) prescribe the cases in which an appeal shall lie from the order of a liquidator appointed under section 47 ;

(*bb*) provide for the inspection of documents in the Registrar's office and the levy of fees for granting certified copies of the same ;

(*cc*) prescribe the procedure to be followed for the custody of property attached under section 55 ;

(*dd*) provide for the payment of contributions at such rates and subject to such conditions as may from time to time be prescribed by Co-operative Societies to any provident fund which may be established for the benefit of officers and servants employed by them ; and

(*ee*) prescribe the period and terms under which Government aid may be given to Co-operative Societies and the terms under which the Government may guarantee the payment of interest on debentures issued by registered societies.

(3) Government may, subject to such conditions, if any, as it thinks fit, delegate all or any of its powers to make rules under this section to any authority specified in the order of delegation.

(4) The power to make rules conferred by this section is subject to the condition of the rules being made after previous publication.

(5) The rules so made shall be laid on the table of the Bom-

bay Legislative Council for one month previous to the next session thereof and shall be liable to be rescinded or modified by a resolution of the said Council tabled at its next session.

72. *SAVING OF EXISTING SOCIETIES.* (1) Every society now existing which has been registered under the Co-operative Credit Societies Act, 1904, or under the Co-operative Societies Act, 1912, shall be deemed to be registered under this Act, and its by-laws shall, so far as the same are not inconsistent with the express provisions of this Act, continue in force until altered or rescinded.

(2) All appointments, rules and orders made, notifications and notices issued and suits and other proceedings instituted, under the said Acts shall, so far as may be, be deemed to have been respectively made, issued and instituted under this Act.

73. *REPEAL.* The enactments specified in the Schedule are hereby repealed in so far as they apply to the Bombay Presidency to the extent specified in the fourth column of the said schedule.

SCHEDULE

Enactments repealed

(See sec. 73)

Year	No.	Short title	Extent of repeal
1912 ...	II	<i>Acts of the Governor General in Council</i> The Co-operative Societies Act, 1912..	The whole
1920 ...	XXXVIII	The Devolution Act, 1920	So much as relates to Act II of 1912
1920 ...	I	<i>Act of the Governor of Bombay in Council</i> The Bombay Land Revenue Code (Amendment) Act, 1920	The whole

APPENDIX B.

BOMBAY CO-OPERATIVE SOCIETIES RULES, 1927

Revenue Department

Bombay Castle, 11th August 1927

No. 5978/24.—Whereas certain rules, which it was proposed to make under section 71 of the Bombay Co-operative Societies Act, 1925 (Bombay VII of 1925), were published in Government Notification in the Revenue Department No. 5978/24 dated 14th July 1926 :

And whereas the objections and suggestions received with reference to the said rules have been considered by the Government of Bombay :

Now therefore the Government of Bombay, in exercise of the

*Government Notifications, Revenue Department:—

No. 4358 of 30th April 1919.

No. 321 of 3rd February 1920.

No. 1312 of 26th April 1920.

No. A—Misc.—1568 of 24th June 1920.

No. 783 of 19th March 1921.

No. 1937 of 29th July 1921.

No. A—408 of 2nd December 1921.

No. 6337-A of 28th March 1923.

No. 6337 of 10th May 1923.

No. 7910 of 20th September 1923.

No. 8067 of 5th October 1923.

No. 9744 of 7th March 1924.

No. 7910 of 23rd June 1925.

powers conferred by section 71 of the Bombay Co-operative Societies Act, 1925 (Bombay VII of 1925), and in supersession of the notifications specified in the margin,* are pleased to make the following rules :—

1. *Short title.*—(1) These rules may be called the Bombay Co-operative Societies Rules, 1927.

Definitions.—(2) In these rules, unless there is anything repugnant to the subject or context, (i) the expression “the Act” means the Bombay Co-operative Societies Act, 1925 ; (ii) “section” means a section of the Act ; and (iii) words and expressions defined in the Act shall have the meanings assigned to them in the Act.

Registration

2. *Application for registration.*—(1) Every application for the registration of a society under sub-section (1) of section 9 shall be in the form of schedule A hereto annexed.

(2) In addition to the copy of the by-laws which is required to accompany the application for registration under sub-section (3) of section 9 two other copies of the proposed by-laws of the society shall be forwarded therewith.

(3) In cases where one of the members of the society to be registered is a registered society, a member of the Managing Committee of such registered society shall be authorised by such Committee by resolution to sign the application for registration and the by-laws on its behalf, and a copy of such resolution shall be appended to the application.

3. *Decision of Registrar to be communicated in case of refusal to register.*—If the Registrar refuses to register the society or its by-laws under section 10, he shall communicate to the applicants his reasons for so doing.

By-laws

4. *Matters in respect of which a society shall or may make by-laws.*—(1) The matters in respect of which every society shall make by-laws are the following :—

(a) The name and address of the society and its branches, the tribe, class, caste or occupation of its members, if the membership is proposed to be so restricted, and the area for which it is to be registered ;

(b) the object of the society, the purposes to which its funds are applicable, the terms of admission of members, and their rights and liabilities, the consequences of default in payment of any sum due by a member, and, in the case of credit societies, the conditions on which loans may be granted, and the rate of interest and the system of calculation of interest, and the maximum number of members that may be admitted ; and, in the case of non-credit societies, the mode of conducting business, purchase, sale, stock-taking and other like matters ;

(c) the mode of holding meetings, and, subject to the provisions of rules 5 and 6, the manner of making, altering and abrogating by-laws ;

(d) the mode of appointment and removal of members of the committee and of the officers, if any, and the duties and powers of the committee and officers ;

(e) the manner in which capital may be raised ;

(f) the mode of custody and of investment of funds, and, subject to rules 14, 17, 18 and 19, the mode of keeping of accounts ; and

(g) the distribution of its profits.

(2) Every society may make by-laws in respect of any other matters incidental to the management of its business.

5. *By-laws*.—When a society has been registered, the by-laws submitted under sub-section (3) of section 9 shall, subject to any modification approved by the Registrar, and adopted at a general meeting, having a quorum, by a majority of not less than two-thirds of the members present at such meeting, become the by-laws of the society.

6. *Amendment of by-laws*.—By-laws may be made, altered or abrogated by a resolution passed at a general meeting of the society ; provided that—

(1) due notice of any proposal to make, alter or abrogate the by-laws is given in accordance with the by-laws ;

(2) the resolution is passed by not less than two-thirds of the members present at the general meeting at which a quorum shall be present, or, at an adjourned general meeting (at which if a quorum is not present within half an hour from the time appointed for holding the meeting, the members present shall form a quorum) and a copy of the resolution is forwarded to the Registrar within a period of three months from the date of the meeting. A copy of the existing by-law or by-laws, so marked as to show the alterations proposed to be made, and three copies of the proposed amendments signed by the officers of the society, shall be attached to the copy of the resolution ; and

(3) the making, alteration or abrogation of the by-laws is approved and registered by the Registrar.

7. *Loans and Deposits*.—Every society with unlimited liability shall, from time to time, fix in a general meeting the maximum liability which it may incur in loans and in deposits from non-members. The maximum so fixed shall be subject to the sanction of the Registrar, who may at any time reduce it, for reasons to be communicated by him to the society in writing, and may prescribe a period, not being less than four months, within which the society shall comply with his orders. No such society shall receive any loan or deposit from a non-member which will make its liability to non-members exceed the limit sanctioned by the Registrar.

8. *Restrictions on borrowing by societies with limited liability*.—No society with limited liability shall incur total liabilities exceeding eight times the total of its paid-up share capital and its accumulated reserve fund ; provided that for the purposes of this rule gilt-edged securities owned by the Bombay Provincial Co-operative

Bank or by a District Central Bank may, up to an amount equal to twice the paid-up share capital, be excluded in calculating the liabilities, provided that such liabilities are incurred on the following conditions :—

(i) the said gilt-edged securities owned by a District Central Bank shall be deposited in the custody of the Bombay Provincial Central Bank ;

(ii) in the case of the Sind Central Co-operative Bank the said securities may be lodged with the Imperial Bank of India, and in the case of the District Central Banks in Sind the securities may be deposited in the custody of the Sind Central Co-operative Bank.

9. *Shares not to be hypothecated to the society.*—The shares of a society shall not be hypothecated to that society by its members as a security for a loan.

10. *Deposits with Agricultural Credit Societies.*—Agricultural credit societies shall not accept deposits which are not fixed for a period of at least two months, except savings deposits in such societies as have made in their by-laws provision for the encouragement of thrift among their members by the opening of savings accounts.

11. *Loans on Suretyship of Non-Members.*—No society shall make any loan to a member on a bond secured by the suretyship of a non-member ; provided that the Registrar may, for special reasons, exempt any society by name from the operation of this rule.

12. *Writing off of bad debts.*—Bad debts may be written off against the reserve fund of any society, and, in the case of limited liability societies, if the bad debts exceed the reserve fund, the balance remaining may be written off against the share capital of the society :

Provided that (i) no bad debts shall be written off without the sanction of a general meeting ; (ii) before any such debts are so written off, the society, if it is affiliated and indebted to a Central Bank, shall obtain the approval of that Central Bank in writing, which approval shall be given after consultation with the Assistant Registrar, and shall be countersigned by him. If the society is not so affiliated, or if the society is so affiliated and is not indebted to the Central Bank, it shall first obtain the approval of the Assistant Registrar in writing ; and (iii) if the society itself is a Central Bank, the approval of the Provincial Co-operative Bank, given in

consultation with, and countersigned by, the Registrar, shall first be obtained.

13. *Interlending*.—For the purposes of sub-section (1) of section 34 a loan also means and includes a deposit made by one society with another society.

14. *Accounts, Returns and documents*.—(1) Every credit society shall keep the following accounts and books, *viz.* :—

- (a) A register of members including persons nominated under section 27 ;
- (b) A register of shares and debentures (where capital is raised by shares or debentures) ;
- (c) A share transfer register (where capital is raised by shares or debentures) ;
- (d) Cash account ;
- (e) Members' loan account ;
- (f) Deposit account ;
- (g) Loan register ;
- (h) Interest account ;
- (i) Expense account ;
- (j) Bank account ;
- (k) Minute book, recording the proceedings of general meetings ;
- (l) Minute book, recording the proceedings of the Committee ;
- (m) Register of members' credit-worthiness ;
- (n) Such other accounts and books as may from time to time be prescribed by the Registrar.

Provided the Registrar may exempt any society or class of societies from the operation of clause (m) mentioned above.

(2) Societies other than credit societies shall keep the accounts and books mentioned in clauses (a), (d), (k) and (l) of sub-rule (1) and such other accounts and books as may be approved or, from time to time, required by the Registrar.

15. *By whom copies of documents or entries may be certified*.—For the purpose of section 31 copies of documents or entries in the books of a society may be certified by any officer of the society.

16. *Inspection of documents : Fees*.—Members of co-operative societies or the public may inspect the following documents in the Registrar's Office free of charge and may obtain certified copies thereof, on payment of the following fees :—

Application for registration of a society	Re. 0-2-0 each.
By-laws of registered societies .	Re. 0-2-0 per folio.

Amendment of by-laws of a registered society . . .	Re. 0-2-0 per folio.
Certificates of registration . .	Re. 0-2-0 each.
Orders for cancellation of the registration of a society .	Re. 0-2-0 per folio.
Audit memorandum of a registered society	Re. 0-2-0 per folio.
Annual balance sheet	Re. 0-2-0 per folio.

17. *Registrar may require statements and returns to be furnished.*—The Registrar may require any society to submit any statement and any periodical return of receipts and disbursements on such dates and in such form as he may prescribe. Every housing society shall submit a property register to the Registrar on such dates and in such form as he may prescribe.

18. *Periodical financial statements to be furnished.*—All registered societies classified by the Registrar as Central Banks or as Urban Banks with a working capital of more than Rs. 50,000 shall submit to that officer a quarterly finance statement in the form prescribed by Government for the quarters ending March 31st, June 30th, September 30th, and December 31st, not later than April 30th, July 15th, October 15th and January 15th, respectively.

19. *Annual balance sheet.*—On or before April 30th of each year the committee of every society shall publish an annual balance sheet, showing (a) the profit and loss, and (b) the receipts and expenditure of the previous financial year, and (c) the assets and liabilities as they stood on March 31st. This balance sheet shall be open to the inspection of any member during office hours at the office of the society and a copy thereof shall be submitted, before May 15th, to the Auditor appointed by the Registrar for the audit of that society.

20. *Transfer of Interest.*—The name and address of every person nominated under section 27 and any revocation or variation of such nomination shall be entered in the register kept under rule 14, sub-rule (1), clause (a).

21. *Nomination of Persons.*—(1) A member may, by writing under his hand deposited with the society during his life-time, or by a statement signed by the member made in any book kept by the society, nominate any person to whom under section 27 his share or interest in the society, or so much thereof as may be specified in such nomination, shall be paid or transferred on his death.

(2) A nomination so made may be revoked or varied by another nomination similarly made.

22. *Distribution of profits.*—In calculating the profits of a society for the year, for the purpose of declaring a dividend or bonus, all accrued interest which has been unauthorisedly overdue for more than six months shall be deducted from the gross profits of the year before the net profits are arrived at. All accrued interest, that has been so deducted from the profits of the year and is actually recovered during the subsequent year, may be added to the profits of the subsequent year.

23. *Distribution of bonus.*—No registered society shall distribute any bonus on shares beyond the dividend declared under section 38.

24. *Payment of dividend by Consumers', Producers' or Housing Societies.*—No Consumers', Producers' or Housing Society shall pay its shareholders a dividend exceeding $6\frac{1}{4}$ per cent. in any year on the paid-up share capital standing in the name of each shareholder. If a society is unable to pay a dividend of $6\frac{1}{4}$ per cent. in any year it may make good the deficit by paying the difference out of profits in future years.

25. *Distribution of balance of profits.*—Any distribution of the remaining balance of profits under section 40 and after the distribution of dividend under section 38 shall be in accordance with the by-laws of the society regarding such distribution. It shall be in proportion to the wages earned by each member in the case of a producers' society, and to the amount of goods purchased by each member, or, where it is so provided in the by-laws, by each member or customer, in the case of a consumers' society. It shall also be in proportion to the amount of rent paid by each member in the case of a Housing Society, and, in the case of a resource society, may be in proportion to the goods obtained or sold through the society by each member, or to the loans borrowed from, and the deposits made with, the society by each member.

26. *Restrictions on distribution of funds by way of bonus, dividend or otherwise.*—Without the sanction of the Registrar, no part of the funds of a registered society shall be divided, by way of bonus or dividend or otherwise, amongst its members in any year unless the entire expenditure incurred by such society has been debited in the annual profit and loss account before the net profit has been calculated.

Provided that any loss or portion of loss on account of bad debts written off during the year may not be so debited if it be deducted

from any bad debt or with the sanction of the Registrar from the Reserve Fund.

27. *Investment of funds.*—With the previous sanction of the Registrar any society may invest its funds, or a portion thereof, in the purchase or leasing of land or buildings and in the construction of buildings, provided that the purchase of such land or the construction of such buildings is likely to be advantageous to the society in the conduct of its business.

28. *Reserve Fund.*—The reserve fund of any registered society may be utilised in the business of the society, or be invested or deposited in any of the ways mentioned in clauses (a), (b), (c) and (d) of section 37. The Registrar may, for reasons to be communicated in writing by him to the society, by general or special order, direct that the latter course be adopted. In the case of a society constituted with the object of co-operative housing on a co-partnership tenancy basis, the reserve fund may be utilised for expenditure on the maintenance, repair and renewal of the buildings of the society.

29. *Audit.*—Societies with a total working capital exceeding Rs. 50,000 at the beginning of the Co-operative year may be required by the Registrar to bear the charges of the audit of their accounts. The amount of the charges to which they are liable shall be fixed by the Registrar and shall be recoverable under section 65.

30. *Charges for audit.*—The Registrar may, with the previous sanction of Government, levy an audit rate not exceeding $\frac{1}{2}$ per cent. calculated on the working capital of every registered society, as it stood at the close of the last preceding co-operative year, and employ the proceeds of the rate in maintaining a staff to audit the accounts of such societies. Societies falling under rule 29 shall be exempt from this rate. Audit fees assessed under this rule shall be recoverable under section 65.

31. *Audit of Accounts of Consumers' Societies.*—(1) Consumers' Societies with a working capital exceeding Rs. 50,000 may at their option arrange for their own annual audit independently. The societies arranging for their own audit shall report the fact to the Registrar before the 1st of May every year. Failing the receipt of such a report from any Consumers' Society before the 1st of May in any year, the Registrar shall arrange for the compulsory audit of such society by an official auditor. When the audit is made by an official auditor, a fee of Rs. 10 per day for the whole period of the audit (a portion of a day being treated as a full day) shall be recovered from the society and credited to Government.

(2) If, after an inquiry under section 43 or an inspection under section 44, the Registrar has grounds for thinking that the audit arranged independently by the society has been seriously defective, he may order the official auditor to make a fresh audit of the society, and may recover the cost of the audit from the society.

32. *Arbitration.*—When a dispute has been referred to the Registrar under section 54, the Registrar or his nominee shall issue a notice to all parties, and, unless either of the parties desires within 15 days of the issue of such a notice that the matter be referred to arbitration, shall proceed to decide the dispute himself.

When either of the parties desires that the matter be referred to arbitration the Registrar (or his nominee) shall call on each party to nominate its arbitrator within 15 days, and to send a statement signed by the proposed arbitrator about his willingness to serve as an arbitrator. When there are more persons than one on each side, the principal party on each side will have the right to nominate the arbitrator. In such cases the Registrar will decide who is the principal party and his decision shall be final.

Where either of the parties fails to make a nomination within the period aforesaid the Registrar may nominate an arbitrator on behalf of such party.

The Registrar or his nominee will act as Chairman of the Committee of three Arbitrators. He will fix the date and place of hearing the dispute, and carry on the necessary correspondence in connection with the disposal of the case.

When any dispute is referred to the Registrar's nominee or to three arbitrators for decision and is not decided by them within two months or such further period as the Registrar may allow, the Registrar may decide the dispute himself or refer it again to his nominee for decision.

33. *Registrar may appoint any person to be his nominee for any specified area.*—The Registrar, by special order to be notified in the *Bombay Government Gazette*, may appoint any person to perform the duties of his nominee for disputes arising in any one or more co-operative societies within any area specified in the order, for a period to be specified in the order. Such period shall not ordinarily exceed one year but may be extended by further special order for a further period not exceeding one year in each case.

34. *Payment of expenses of arbitration.*—The Registrar or his nominee and the arbitrators shall have power to order the expenses of determining the disputes to be paid out of the funds of the society, or by such party or parties to the dispute as they may think fit,

according to a scale laid down by the Registrar. The Registrar may fix the fees to be paid to his nominee out of the expenses so recovered.

35. *Procedure in arbitration proceedings.*—The Registrar or his nominee shall record a brief note in English or in vernacular of the evidence of the parties and witnesses who attend, and upon the evidence so recorded, and upon consideration of any documentary evidence produced by either side, a decision or award, as the case may be, shall be given in accordance with justice, equity and good conscience, and shall be reduced to writing. If any party duly summoned to attend fails to appear, the dispute may be decided *ex-parte*. In cases where three arbitrators are appointed, the opinion of the majority shall prevail. In case of equality of votes, it shall be decided by the Registrar himself.

36. *Appearance by pleaders.*—In proceedings held under rules 32 to 35, no party shall be represented by a legal practitioner.

37. *Execution of arbitration orders in special cases.*—Subject to the provisions of section 59 of the Act, the Registrar may by an order in writing specially authorise any officer of the Co-operative Department, not below the rank of a Special Mamlatdar or an Auditor, to call for and send arbitration orders obtained by any society for execution. The societies in respect of which these powers are to be exercised by the officers so authorised shall be mentioned in the order.

38. *Liquidation.*—Where a Liquidator has been appointed under section 47 the following procedure shall be adopted :—

(1) The appointment of the Liquidator shall be notified by the Registrar in the *Bombay Government Gazette*.

(2) The Liquidator shall at once take charge of the books and property and assets of the society and publish by such means as he may think proper a notice requiring all claims against the dissolved society to be notified to him within two months of the publication of the notice. He shall thereafter proceed to take such further action as he is empowered to take under the Act. All liabilities recorded in the account books of a society shall be deemed to have been duly notified to the Liquidator.

(3) The Liquidator shall make separate orders against the various members and past members of the society, noting the amount to be realised from each as a contribution under clause (d) of section 50 and as the cost of liquidation under clause (i) of the said section. These orders shall be submitted for approval to the Registrar, who may modify them or refer them back to the

Liquidator for further inquiry or other action or may forward them for execution under section 59.

(4) If the sum assessed against any member is not recovered, the Liquidator may frame a subsidiary order or orders against any other member or members to the extent of the liability of each for the debts of the society, until the whole amount due from members is recovered, and these orders shall be dealt with in the same way as orders under sub-rule (3).

(5) The Liquidator shall submit a quarterly progress report to the Registrar in such form as the Registrar may require.

(6) All funds in charge of the Liquidator shall be deposited either in the Post Office Savings Bank or in a Central Co-operative Bank, and shall stand in his name.

(7) Where recovery of the dues is made by village officers the Liquidator may pay to such officers remuneration at the rate of one per cent. of the amount collected by such officers.

(8) The Registrar shall fix the amount of fee, if any, to be paid to the Liquidator.

(9) At the conclusion of the liquidation a general meeting of the members of the dissolved society shall be called at which the Liquidator shall summarise his proceedings, point out the causes of the failure of the society, and report what sum, if any, remains in his possession after meeting all the liabilities of the society, as determined under the rules.

39. *Execution of orders.*—Every order passed by the Registrar under section 50A and every order issued under section 55, shall, if not carried out, be executed, in accordance with section 59.

40. *Disposal of records of a society whose registration is cancelled.*—(1) When an order directing a society to be wound up is issued under section 47 and no Liquidator is appointed, the officers of the society which is wound up shall, within 15 days of the publication of the order in the *Bombay Government Gazette*, send by registered book post or railway parcel, the records and books of the society to the Assistant Registrar or hand over the same to the local Auditor.

(2) When the affairs of a society for which a Liquidator has been appointed have been wound up and an order cancelling the registration is made under section 49, the Liquidator will forward all the books and records of the cancelled society, and all his own papers and proceedings, by railway parcel to the Assistant Registrar, together with an account of his expenses, showing how the

balance has been disposed of, and attaching the receipt of the person to whom it was handed over.

(3) All the books and records of a society whose registration has been cancelled and the proceedings of liquidation shall be destroyed by the Assistant Registrar, after the expiry of two years from the date of the order cancelling the registration of the society.

41. *Interest in liquidation proceedings.*—On any debt, which is due from a society that is being wound up, the creditor may prove for interest up to the date of the Registrar's order for winding up at a rate, which, in the case of the Bombay Provincial Co-operative Bank or a District Central Co-operative Bank or other Co-operative Bank permitted by the Registrar to finance societies, shall be the contract rate, and in other cases shall be a rate to be fixed by the Registrar and not exceeding the contract rate.

Provided that, if any surplus assets remain after all liabilities, including liabilities on shares, have been paid off, further interest on such debts at a rate to be fixed by the Registrar and not exceeding the contract rate may be allowed to creditors from the date mentioned above up to the date of the repayment of the principal.

42. *Service of summonses miscellaneous.*—(1) Summonses issued by the Registrar, or by a person authorised to hold an inquiry or to make an inspection or by the Auditor or Liquidator, or by the Registrar's nominee, under section 58, shall, if sent for service to a Mamlatdar or Mahalkari, be served by such officer.

43. *Fees to be credited to Government.*—All (fees) fines levied under section 61 and rule 42 shall be credited to Government.

44. *Mode of serving summonses.*—(1) A summons issued by any of the officers mentioned in rule 42 may be served personally or through a Mamlatdar, Mahalkari or any member of the Co-operative Department or any Honorary Organiser or Chairman or Secretary of the society or by registered post, acknowledgment paid.

(2) The serving officer shall, in all cases in which summons has been served, endorse or annex, or cause to be endorsed or annexed, on or to the original summons, a return stating the time when, and the manner in which, the summons was served, and the name and address of the person (if any) identifying the person served and witnessing the delivery or tender of the summons.

(3) The person issuing the summons may examine the serving officer on oath, or cause him to be so examined by the Mamlatdar or Mahalkari through whom it is served, and may make such fur-

ther inquiry in the matter as he thinks fit ; and shall either declare that the summons has been duly served or order it to be served in such manner as he thinks fit.

45. *Membership of two societies with unlimited liability prohibited.*—No person being a member of a society formed on a basis of unlimited liability shall be a member of any other society formed on a similar basis without the special or general sanction of the Registrar ; and where a person has become a member of two such societies, either or both of the societies shall be bound to remove him from membership upon a requisition from the Registrar to that effect.

46. *Societies not to be involved in controversial matters of a religious character.*—No society may take any action which would involve the society in the discussion or propagation of controversial opinions of a religious character, and the Registrar may prohibit any action or rescind any resolution which in his opinion is of such a tendency.

47. *Registrar to keep a record of names, addresses and by-laws of societies.*—The Registrar shall keep a register of the names and addresses of all registered societies and shall record a copy of the registered by-laws and subsequent amendments to the by-laws of such societies.

SCHEDULE A.

(See Rule 2)

Form of application for registration of a Society

1. Name of proposed Society
2. Address to be registered
3. Is liability limited or unlimited
4. Area of operations
5. Objects of the Society
6. If the capital is to be raised by shares, what is the number and value of shares which it is proposed to issue
7. In other cases, what is the amount of the capital it is proposed to raise by loan or deposit
8. Language in which the books and accounts will be kept
9. With this application for registration are sent three copies of the proposed by-laws signed by the applicants (not less than ten).

(Signatures)

Name and father's name	Age	Caste	Profession	Place of residence, village, and taluka

By order of the Government of Bombay (Transferred Departments),

J. W. SMYTH,
Secretary to Government.

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